Continental clients watch bank crisis

By Barry B. Burr

CHICAGO — Pension fund clients of Continental Illinois National Bank & Trust Co. of Chicago, concerned that troubles on the commercial side might affect trust department operations, are making no immediate changes in their accounts, a survey by *Pensions & Investment Age* showed.

Continental lost two custodial accounts during the past two weeks, a bank spokesman said. But he added, "Those defects were not necessarily attributable to the present liquidity crisis."

The spokesman said Continental has lost no investment management clients in recent weeks.

At the same time, he said, Continental added one custodial client.

He declined to provide any identities or further details.

Departures of major pension fund clients from the trust department of troubled Continental largely had halted just when the commercial banking operation began its struggles amid federal guarantees.

No one expressed any worry over the safety of pension assets held in trust, although several clients reported seeking reassurance.

By law, fiduciary assets managed or held in custody by a trust department must be held separately from commercial banking activities, banking officials said. The assets aren't in jeopardy by financial problems elsewhere at Continental, said Daniel Gautsch, review examiner, Federal Deposit Insurance Corp.

One pension sponsor, who reaffirmed his support of Continental, acknowledged that "people's confidence is shaken, regardless of whether it has any merit."

A Continental spokesman described the events as a "liquidity crisis," a need for cash for immediate needs, and "not a matter of solvency."

Mr. Gautsch agreed, saying, "I don't think anyone is saying the bank doesn't have problems, and those problems contributed to the

Continued on page 61

Photo by Mary Herlehy

"Confidence is shaken, regardless of whether it has any merit"

J.P. Stevens' proposal pending

Spinoff could reap $50 million

By Marci Baker

NEW YORK — J.P. Stevens & Co. will recover at least $50 million in excess assets if a proposed spinoff/termination of one of its pension plans is approved.

The move, becoming increasingly common among companies with overfunded pension plans, needs approval from the Pension Benefit Guaranty Corp. and the Internal Revenue Service.

In a spinoff/termination, J.P. Stevens will spin off its defined benefit plan for salaried employees into two plans — one for 5,000 active employees and one for 3,000 retired vested and deferred vested employees.

The company then will purchase annuities to pay benefits of retirees, and terminate that new plan, recovering the excess assets upon termination. The plan for active employees will continue.

Richard Tyner, director of investments, said the company's 8-year-old hourly employees retirement fund will not be affected by the spinoff/termination.

As of the end of 1982, the salaried plan had assets valued at $189 million, but only $89 million in pension obligations. The numbers are based on an average assumed rate of return of 9.5% provided to the PBGC rather than the true actuarial assumption of 7%, said Mr. Tyner.

The $50 million windfall to the company is a 'downside estimate," he added. How much the company ultimately will receive depends on a number of factors. "The stock and bond markets could fall out of bed," by the time the action would be approved, he remarked.

Moreover, the company intends to use part of the excess to increase the pension benefits of its active and retired salaried employees. However, to what degree they will be increased still is being reviewed.

Mr. Tyner said J.P. Stevens will negotiate the specifics of the spinoff/termination with PBGC and the IRS to help ensure approval of the action. He estimated the process will take at least a year to complete.

Although Mr. Tyner expects the move will have some impact on the investment management structure of the fund, he added it is too early to say just what that impact will be.

Including in-house management, 11 managers run money for the salaried employees plan. Outside managers include Equitable Life Assurance Society, New York; Investors Research Corp., Kansas City, Mo.; Lynch & Mayer Inc., New York; and Morgan Guaranty Trust Co, New York.

"We feel the excess assets could be utilized in a more efficient manner," Mr. Tyner said in explaining the company's action. The recovery of excess pension assets would further strengthen the financial structure of J.P. Stevens, benefiting the company and its shareholders, the investment director noted.

Plans to increase benefit levels are in the interest of employees as well, he added. ■

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AT&T pension plan hires international managers

NEW YORK — American Telephone & Telegraph Co., which will have assets of between $18 billion and $20 billion when the spinoff of its operating units is complete, reportedly has appointed four international money managers.

They are Capital Guardian Trust Co., Los Angeles; Rowe Price-Fleming International, Baltimore; Fidelity International Investment Management, Boston; and ABD International, New York, sources said. The sources said funding of these managers is expected to begin soon, even though they were hired earlier this year. Some sources have said seven managers were hired, but the identities of the other managers are not known.

Capital Guardian and Fidelity International reportedly have received commitments for $10 million to $20 million. It is not known how much more will be invested or how much the other two managers will receive. AT&T would not confirm or deny the reports. None of the international managers would verify them.

The pension fund giant reportedly will stage another sweep for a second tier of international managers in late summer or early fall, according to advisory sources.

The search is said to have involved presentations by 80 international advisers out of which fewer than 20 were selected for second presentations. ■

Late news

Continued from page 1

plan and establishment of another.

The Pension Benefit Guaranty Corp., the Department of Treasury and the Internal Revenue Service said that when an employer terminates a defined benefit plan and establishes a new plan, the combination of benefits under the old and new plans may be the same as if the original plan had continued.

To spin off and terminate the retired employees' part of the plan and cull the excess assets, the guidelines state an employer must vest all employees, retired and active.

Benefits accrued up to termination must be covered with annuity contracts and employers must give employees "advance notice" of the termination.

$700 million allocated

ST. PAUL, Minn. — The $7 billion Minnesota State Board of Investment allocated $700 million of its active employees' assets among six fixed-income managers, according to Howard Bicker, executive director.

Four managers will receive $150 million each: Morgan Stanley Asset Management Inc.; Lehman Management Co. Inc.; Miller, Anderson & Sherrerd; and Western Asset Management Co. Norwest Bank Minneapolis will receive $75 million and Investment Advisers Inc., $25 million.

A&P termination filed

MONTVALE, N.J. — The Great Atlantic and Pacific Tea Co. has filed an official notice with the Pension Benefit Guaranty Corp. to terminate its employee retirement plan and recover $275 million in assets. Upon termination, benefits will be provided by the purchase of group annuities.

Approximately $11 million of the $336 million in surplus assets will be returned to employees.

New firm launched

NEW YORK — Hoping to snare a piece of the institutional tax-exempt market, a new equity investment management firm has been launched by First Investors Consolidated Corp., a diversified financial services company that manages more than $2 billion in assets primarily through mutual funds.

First Investors Equity Management Co., will offer separate account investment services to pension and endowment funds. Minimum account size is $5 million.

Money movers

• PHOENIX, Ariz. — The $3 billion Arizona State Retirement System has named Mellon Bank custodian, effective July 1. According to Max Sullivan, system director, Mellon will replace Bankers Trust, which held the custodial role for about eight years.

At the same time, the pension system has decided to bring in Valley National Bank of Arizona as its depository bank, replacing First Interstate Bank of Arizona.

It also has renewed its contracts with Martin E. Segal & Co. and Arthur Andersen & Co., which act as consulting actuary and auditor, respectively.

• DES MOINES, Iowa — The $2.2 billion Iowa Public Employees Retirement System trustees picked Wilshire Associates to be fund consultant, said Larry Thompson, fund investment officer.

• CAMBRIDGE, Mass. — The Middlesex County Retirement System has named the Bank of New England as sole investment manager and custodian for its $80 million in assets, replacing Bay Bank Trust Co.

The appointment is effective June 1, said William J. Gustus, county treasurer.

• WASHINGTON — Georgetown University has selected Sanford C. Bernstein & Co. to run a piece of its $96 million endowment fund, said Janet Freeman, assistant treasurer.

Bernstein, which is one of three balanced managers, will get $10 million to $15 million.

SEI-Funds Evaluation Services was the consultant in the search.

• HONOLULU — The Hawaii Employees' Retirement System has hired Mellon Capital Management to run its first index fund. That fund will be pitted against some of the retirement system's active equity managers. Callan Associates helped with the selection.

The trustees also decided to invest up to 5% of the system's $2 billion in equity real estate.

• DECATUR, Ill. — A.E. Staley Manufacturing Co. added Newbold's Asset Management as an equity manager for its $100 million total employee benefit assets, said Alford Zick, director of pension and benefit assets.

The initial commitment will be $10 million.

• RICHMOND, Va. — The $124 million University of Richmond endowment fund hired Lowe, Brockenbrough, Tierney & Tattersall Inc. and STW Fixed Income Management to run fixed-income portfolios of $10 million each.

• ST. LOUIS — The Lutheran Church-Missouri Synod hired Centerre Trust Co. to manage a fixed-income account, a Centerre spokesman said.

The initial investment will be $13 million taken from the synod's 501(c)(9) trust, he said.

Master trust Directory

Pensions & Investment Age's master trust directory was developed from questionnaires sent to the leading master trust firms in the United States and Canada. The information in this directory section is copyright 1984 by Crain Communications.

Pension funds satisfied with master trustees

By Eddy Christman

NEW YORK — Pension funds are more than satisfied with the services provided by their master trustees, a survey by *Pensions & Investment Age* shows.

The eight master trustees most often cited by pension fund executives scored an average of 3.745 out of five, indicating they are doing an above-average job.

Overall, pension funds rated their master trustees strongest in the cash management area, giving them a 3.92 score. That was followed by personnel, 3.85; performance measurement, 3.62; and reporting, 3.59.

Sponsors were asked to rate their trustee's capabilities on a scale of one to five, for four master trust service groups. A score of 1 was poor; 2, fair; 3, satisfactory; 4, good; and 5, outstanding. Scores were tabulated for those master trust service providers that were rated by at least five respondents.

In the survey, Northern Trust, Chicago, came out on top in reporting and performance measurement, two of the four catagories.

Mellon Bank, Pittsburgh, scored highest on account personnel, while Citibank, New York, tallied the highest score in cash management.

Questionnaires were sent to 550 of the 1,150 largest pension funds in the United States. In addition to the 250 largest pension fund sponsors, 300 of the next 900 largest were polled at random. The response rate was 31.6%.

The results for the four master trust service groups were:

• **Personnel**

Mellon Bank scored highest in three of the six categories that sponsors rated on personnel capabilities. Its account officers and representatives were considered good to outstanding in getting things done, being familiar with sponsors' needs and being knowledgeable of bank operations.

The personnel of Boston Safe Deposit and Trust Co., Boston, racked up the highest score for knowledge of financial markets, and tied with New York-based Citibank personnel for knowledge of the Employee Retirement Income Security Act.

Clients of Northern Trust said that bank had the lowest turnover in personnel.

• **Cash management**

Of the five cash management areas rated, Citibank garnered the best ratings for fail balance earnings credit, speed in crediting cash and investment of cash. Bankers Trust, New York, was cited for its cash balance policy and Harris Trust and Savings Bank, Chicago, for STIF investments.

• **Reporting**

In rating a trustee's capabilities in reporting, Northern Trust tallied the highest scores in report timing and consistency in meeting report deadlines.

Boston Safe chalked up the highest rating for flexibility of reports, and tied with Citibank for ability to meet clients' informational needs. The reports of State Street Bank & Trust Co., Boston, were cited for accuracy, while the clients of Chase Manhattan, New York, rated it highest for its promptness in making corrections. Mellon's ERISA reporting got the most support from its clients.

• **Performance measurement**

Of the 108 respondents who rated their master trustees, 64 said their bank supplied them with performance measurement data. Overall, Northern Trust edged out Mellon Bank. State Street and Citibank also had strong overall scores in that capability.

Northern Trust got the best ratings for format, flexibility and clarity, and tied with Citibank for length of historical record. State Street got the highest rating from clients for overall expertise.

Of the 174 usable responses, 108 rated 35 different banks and trust companies. The remaining 66 said they did not have a master trust relationship.

Only eight of the 35 master trustees rated by pension fund sponsors were named on five or more responses, and the above results include only those eight.

Of the eight, respondents most often named Bankers Trust, which was rated by 18 of its clients. Seven respondents are fund sponsors with assets of more than $1 billion. Five have assets between $501 million and $1 billion; three between $201 and $500 million; and two between $100 and $200 million. Half of Bankers Trust's responding clients are located in the Northeast, five in the Midwest, three in the West and one in the Southeast.

Northern Trust was rated by 14 of its clients. Half the respondents are in the Midwest, and five have assets between $501 million and $1 billion.

Chase Manhattan was rated by 11 respondents, five of which have assets between $201 million and $500 million. All — except one in the Midwest — are located in the Northeast.

Harris Trust, Mellon Bank, and State Street Bank each was rated by seven clients. Five of Harris Trust's clients are in the Midwest, and four have assets of more than $1 billion. Three of Mellon Bank's clients have more than 11 active managers, and all but two said that Mellon was their first master trustee.

Five clients of Citibank and five of Boston Safe rated their master trust services. All of Citibank's clients said they never had a master trust relationship before. Four of Boston's five responding clients have assets of more than $1 billion.

The remaining 34 responses were spread over 27 different bank and trust companies. RepublicBank Dallas, had three responses; First National Bank of Chicago, National Bank of Detroit, National City Bank of Cleveland, Wachovia Bank & Trust Co., Winston-Salem, N.C., and Wells Fargo Bank, each had two responses.

Eighteen master trustees each were rated by one respondent.

Continued on page 33

Rank	Bank	Master trust	Master custody	Total
1.	Chase Manhattan	57,000	22,000	79,000
2.	Bankers Trust	58,200	4,400	62,600
3.	State Street Bank	30,087	22,968	53,055
4.	Northern Trust	41,724	5,893	47,617
5.	Citibank	11,716	25,278	36,994
6.	Mellon Bank	29,826	364	30,190
7.	Irving Trust	8,000	21,000	29,000
8.	Bank of America	10,819	14,846	25,665
9.	Bank of New York	12,500	8,500	21,000
10.	Boston Safe Deposit	15,851	3,747	19,598
11.	Harris Trust	18,879	0	18,879
12.	First Pennsylvania	1,000	15,500	16,500
13.	Manufacturers Hanover	16,000	261	16,261
14.	U.S. Trust	9,100	5,900	15,000
15.	RepublicBank Dallas	12,100	1,900	14,000
16.	Wachovia Bank	12,000	256	12,256
17.	National of Detroit	5,150	6,200	11,350
18.	Continental Illinois	8,400	1,600	10,000
19.	Manufacturers Detroit	8,300	1,100	9,400
20.	Wells Fargo	4,290	3,935	8,225
21.	First of Chicago	7,250	556	7,806
22.	Wilmington Trust	6,501	100	6,601
23.	Mercantile Safe	1,694	2,294	3,988
24.	Citizens & Southern	450	3,000	3,450
25.	AmeriTrust	2,800	310	3,110
26.	First Trust St. Paul	2,050	350	2,400
27.	First Wisconsin	1,283	819	2,102
28.	Texas Commerce	1,100	1,000	2,100
29.	Marine Midland	1,437	500	1,937
30.	Centerre Trust	1,415	175	1,590
31.	M&I Bank	1,200	100	1,300
32.	Norwest Bank	1,066	0	1,066
33.	Rainier National	102	874	976
34.	First City National	583	1	584
35.	Bank of Oklahoma	78	327	405
	TOTAL	$399,951	$176,054	$576,005

Rank	Bank	Master trust	Master custody	Total
1.	Royal Trust	5,500	0	5,500
2.	Montreal Trust	2,836	0	2,836
3.	National Trust Co.	2,544	0	2,544
4.	Canada Permanent	1,500	540	2,040
5.	Canada Trust Co.	1,952	0	1,952
6.	Guaranty Trust Co.	1,006	55	1,061
7.	International Trust	200	600	800
	TOTAL	$15,538	$1,195	$16,733

Securities-lending surge stopped short by glut

By Barry B. Burr

CHICAGO — The $775 million New Mexico Educational Retirement Board earned a tidy return of $400 over a few days last month.

Another, similar investment netted the fund $2,916.

Although those returns sounds like nickels and dimes to a $775 million pension fund, it required the investment of no additional capital. Instead, the New Mexico fund was lending securities it already owned to brokers.

In doing so, it made $250,000 on securities lending in 1982. But it earned only $240,000 last year; and it expects to earn less again in 1984.

The falloff illustrates the current securities-lending market. In short, there's a glut.

Brokers, trust departments and pension funds agree the practice is less lucrative than it was just two years ago. Speaking of General Electric Corp.'s lending return, W. Richard Fulljames, treasurer of the pension trust, said, "I can say it's been declining . . . because there are more players."

William R. Parmentier, assistant treasurer and investment officer at Grumman Corp., blames the trust departments, which serve as master trustees and custodians. "They lend in large volume," he said.

In fact, Grumman, the first corporate pension fund to lend securities, stopped last year. "We saw the spreads getting very narrow," Mr. Parmentier said, referring to the returns on loans.

Until 1981, the Employee Retirement Income Security Act prohibited corporate- and union-sponsored funds from lending securities. Aside from brokers lending to other brokers, foundations and endowments had been the only major sources of security loans. Public funds, such as the $3 billion Retirement System of Alabama, although unconstrained by ERISA, tended to stay out because state regulations on the physical possession of securities made lending cumbersome, if impossible, according to Hunter Reaves, analyst for the Montgomery, Ala.-based fund.

Then in 1979, Grumman obtained an individual exemption from the Department of Labor, enabling it to lend. Two years later, the DOL lifted restrictions for all funds.

Now for pension funds hiring bank trust departments as a master trustee or custodian for their assets, securities lending is an important service.

As Allan Martin, vice president-employee benefit management, Bankers Trust Co., put it, lending returns "are not overwhelming. But if you look at the average master trustee fees, they (lending returns) are on a similar order of magnitude."

At Chrysler Corp., Thomas D. Christian, manager-pension fund investments, said of lending, "It doesn't cost anything. You make $300,000 or $400,000 a year, which about covers half of your fees to your master trustee."

One large broker that is also a large borrower of securities, remarked, "The competition is fierce; there are so many institutions doing it now. The supply is great."

As a result, the returns have collapsed.

Unlike most other investments where return is related to risk, the return on securities lending is driven primarily by supply and demand. In the business, returns are expressed on an annual basis as a percentage of the value of securities on loan. For example, in one deal, said Robert Short, investment officer of the New Mexico fund, the fund lent $800,000 worth of Shell Oil Co. 7¼% bonds on April 3.

On April 12, the borrower, Salomon Brothers Inc., returned the securities, paying a $400 fee for the loan. Calculated on an annual basis, the $400 earned on the $800,000 worth of bonds lent for 10 days, amounts to about a 2% return.

But Grumman, before deciding to quit lending last year, typically earned 3% to 4%, Mr. Parmentier said.

Another dropout, the Ford Foundation, which had been lending since about 1976, quit in 1982. "It became uneconomic for us," said Robert Tolles, a public relations spokesman. "The large corporate pension funds entered the field. The returns diminished."

At the same time, some are pursuing it more aggressively. "We

Continued on page 34

a

AmeriTrust Co.

900 Euclid Ave., Cleveland, Ohio 44101; (216) 687-5000

Master trust assets	$2,800,000,000
Master custodial assets	$310,000,000

AmeriTrust has 24 master trust clients and three master custodial clients. There are seven account supervisors.

The size of the smallest master trust client is $3.4 million, while the size of the largest is $520 million.

The actual settlement date is used for accounting, but trade date accounting is available.

Basic master trust services include asset custody; settlement of security trades; reporting on asset values and transactions; plan allocation; automated cash management; securities lending; performance measurement; portfolio analysis; index fund; cash forecasting and customized reporting. Reports are delivered to clients five days after the end of the period.

Fees are based on market value of assets, the number of plans and the number of managers.

The client contact is James H. McInerney Jr., vice president, (216) 687-2798.

b

Bank of America

555 California St., 17th Floor San Francisco, Calif. 94104; (415) 622-9568

Master trust assets	$10,819,000,000
Master custodial assets	$14,846,000,000
Other	$21,300,000,000

Bank of America has 35 master trust clients and 10 master custodial clients.

Accounts are administered in San Francisco and Los Angeles. There are 10 account supervisors.

The size of the smallest master trust client is $6 million; the largest is $4.1 billion. Trade date and settlement date accounting are available at client's option.

Basic master trust services include custody; plan and trust accounting; automatic cash management; income collection and redemptions; and ERISA reporting. Options include performance measurement, benefit disbursing with government reporting, securities lending and participant recordkeeping.

Reports to clients are delivered five to 10 business days after the end of the period.

Fees are based on a percentage of assets and services provided.

The client contact is John P. Sheehy, senior vice president.

Bankers Trust Co.

280 Park Ave., New York, N.Y. 10017; (212) 850-2082

Master trust assets	$58,200,000,000
Master custodial assets	$4,400,000,000
Other	$4,000,000,000

Bankers Trust has 99 master trust clients and 12 master custodial clients. Client contact is handled jointly through a combination of 20 relationship managers, with responsibility for ensuring overall client satisfaction, and 22 product delivery specialists, with responsibility for day-to-day activities.

The size of the smallest master trust client is $10 million; the largest is $7.7 billion.

The primary accounting method is trade date, on a fully accrued basis, however, settlement dated, tax lot and other methods are available.

Core master trustee services include account establishment services, legal administrative guidance, adviser services, cash management and forecasting, fail float analysis and credit,options and futures processing, security income posted on payable date, and a variety of trust/plan accounting reports that meet ERISA and FASB requirements.

Specialty services that complement the core master trustee package are: securities lending, on-line capabilities, pension disbursing w/EFT, global custody, master consolidation reporting, performance measurement and ad hoc consulting services, a variety of commingled investment trust funds, and microfiche and computer tape reporting.

The monthly transaction reports are sent within two days following the reporting period. Assets and liabilities reports, and customized reports are available six to eight days following the end of the period.

The fee structure for the core master trustee service is reflective of the trust structure. This includes an accounting and reporting fee based on the type and number of investment portfolios, a per transaction fee for security movement and an administrative fee applied as a basis-point calculation on actively managed assets.

Lynne Stewart Minard, vice president and head of pension relationship management, sales and marketing, is the client contact.

Bank of New York

48 Wall St., New York, N.Y. 10015; (212) 530-1784

Master trust assets	$12,500,000,000
Master custodial assets	$8,500,000,000
Other	$5,900,000,000

Bank of New York has 50 master trust clients and eight master custodial clients. There are seven account supervisors. Union accounts are assigned to a separate Bank of New York administrator.

The size of the smallest master trust client is $5 million; the largest is $7 billion.

Trade date and settlement date are used for accounting procedures.

Basic master trust services include performance measurement, cash management, ERISA reporting, portfolio review, securities lending, global custody, benefit disbursement, on-line inquiry — two way communication, and option accounting.

Reports to clients are delivered within five days and available on-line daily. Fees are based on a percentage of market value.

The client contact is Thomas A. Price, vice president, (212) 530-8710.

Bank of Oklahoma

P.O. Box 2300, Tulsa, Okla. 74192; (918) 588-6449

Master trust assets	$78,478,000
Master custodial assets	$327,163,000
Other	$1,062,091,000

Bank of Oklahoma has two master trust clients and two master custodial clients. There are four account supervisors. The size of the smallest master trust client is $2.8 million; the largest is $75.7 million.

Accounting methods used are trade date and settlement date, unitized and cash, and full accrual.

Basic master trust services include dividends and interest credited on payable date, automated cash management, GICs, performance measurement, portfolio review, benefit disbursement, flexible reporting, and ERISA reporting package.

Reports to clients are delivered 15 to 20 days after the end of the period. Fees are based on a combination of asset and services provided.

The client contact is Jean Anderager,employee benefit reporting man-

Boston Safe Deposit & Trust

1 Boston Place, Boston, Mass. 02106; (617) 722-7310

Master trust assets	$15,851,000,000
Master custodial assets	$3,747,000,000
Other	$520,000,000

Boston Safe has 25 master trust clients and seven master custodial cli-

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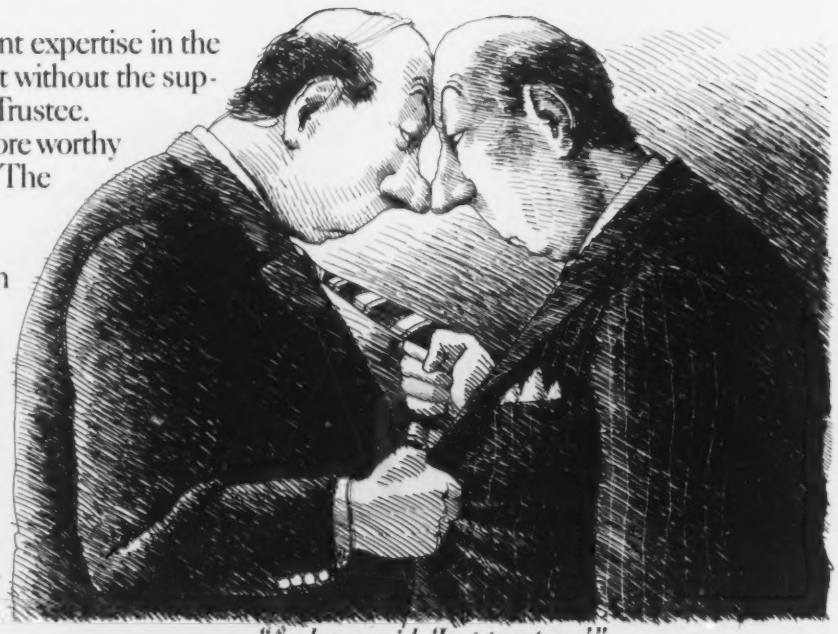

"And you said, 'Just trust me.'"

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You can trust the Bank's advanced, on-line computer systems to provide timely, accurate reports. This is especially important when the time comes for a presentation before the Board of Directors.

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Because trust, like anything else of value, has to be earned.

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THE BANK OF NEW YORK
MASTER TRUST

ents. There are 10 account supervisors. The size of the smallest master trust client is $14 million; the largest is $2.7 billion.

Master trust services offered include full accrual, trade date-based accounting and analytical reporting tailored to meet individual client needs. Boston Safe offers on-line access to accounting information, performance measurement, analytical software and data bases, by means of terminals connected to Boston Safe's computers by permanent lines, on a dial-up basis, or by data downloaded nightly to clients' microcomputer workstations. Boston also offers securities lending, global custody, benefit payments, comprehensive services for defined contribution plans and consulting services.

It also offers investment vehicles for short-term cash reserves. STIF is available for use by accounts qualified under ERISA. As an alternative to STIF, the reserve deposit account is a money market deposit account available to both ERISA and non-ERISA funds.

Reports are mailed to clients five business days following the end of the period.

Fees are calculated on an individual basis depending on the services required.

The client contact is John R. Snow, vice president, (617) 722-6970.

Canada Permanent Trust Co.

320 Bay St., Toronto, Ontario M5H 2P6, Canada; (416) 361-8248

Master trust assets	$1,500,000,000
Master custodial assets	$540,000,000
Other	$1,800,000,000

Canada Permanent Trust Co. has almost 200 corporate custodial clients. It has three account managers.

The smallest master trust client is $5 million; the largest is $475 million.

Settlement date accounting is used.

Basic master trust services include safekeeping, income collection and securities settlement (including DTC via Manufacturers Hanover).

The Canada Permanent Trust Co. also offers pensioner payroll; client-based, on-line terminals; securities lending; various monthly and on-demand reports; a client call program and a client focus group.

Reports to clients are delivered 15 days after the end of the period.

The basic fee is based on the book value of assets. The firm also adds on a percentage for trusteeships, complexity, multiple managers and mortgage administration.

The client contact is R.W. La Force, assistant vice president-corporate custodial services.

A cash management directory, to be published July 23, will detail banks, service networks, consultants and professional associations.

The Canada Trust Co.

275 Dundas St., London, Ontario, Canada N6B 3L1; (519) 673-6245

Master trust assets	$1,952,000,000
Other	$3,963,000,000

The Canada Trust Co. has 64 master trust clients. There are 14 account supervisors.

The size of the smallest master trust client is $1.5 million; the largest is $277 million.

Settlement data accounting is used.

Basic master trust services include safekeeping of securities, processing transactions, constituent and consolidated account reporting, monitoring of compliance with legislative constraints and automatic income crediting. Reports to clients are delivered 15 days after the end of period.

Fees are based on a percentage of book value, plus a variable cost per check, termination and security transaction.

The client contact is David James, pension information officer.

Centerre Trust Co. of St. Louis

510 Locust St., St. Louis, Mo. 63101; (314) 231-9300

Master trust assets	$1,415,000,000
Master custodial assets	$175,000,000
Other	$564,000,000

Centerre Trust has eight master trust clients and two master custodial clients. There are two account supervisors.

The size of the smallest master trust account is $30 million; the largest is $510 million.

Trade date accounting and settlement date accounting are used.

Basic master trust services include cash projection sweep, fail float credit, ERISA information, annual report preparation, on-line inquiry and PC download, performance measurement and evaluation, portfolio analytics, benefit payments, security lending and payment date credit for most income items. Reports to clients are delivered five to seven days after the end of the period.

Fees are based on asset value and number of manager and plan accounts over minimum. There are extra charges for ancillary services.

The client contact is Richard W. Hibbs, (314) 436-9265.

Chase Manhattan Bank

1211 Avenue of the Americas, 33rd Floor, New York, N.Y. 10036; (212) 730-3008

Master trust assets	$57,000,000,000
Master custodial assets	$22,000,000,000
Other	$28,000,000,000

Chase Manhattan has 78 master trust clients and 12 master custodial clients. There are 25 account supervisors.

The size of the smallest master trust account is $1 million; the largest is $11 billion.

Trade date and settlement date accounting are available in either hard-copy, computer tape or microfiche.

Basic master trust services include safekeeping, custody, accounting, cash management, performance measurement, portfolio analysis, index funds, futures/options accounting, ERISA and FASB reporting, security bonding, benefit disbursement and recordkeeping. Also offered are 401(k) and savings and thrift plans.

In addition, a full array of global custody services, including safekeeping, multicurrency reporting and accounting and global performance measurement, is offered. Global custody assets are in excess of $10 billion.

Reports are delivered to clients within seven days after the end of period. On-line reporting is available on next-day basis for both accounting and performance measurement information. Fee calculations are based on the account structure and transaction volume.

The client contact is John A. Sweeney, vice president.

Citibank

1 Citicorp Center, New York, N.Y. 10043; (212) 559-1523

Master trust assets	$11,716,000,000
Master custodial assets	$25,278,000,000
Other	$2,956,000,000

Citibank has 109 master trust clients and seven master custodial clients. There are 25 account supervisors.

The size of the smallest master trust client is $2 million; the largest master custodian client is $14.8 billion.

Settlement date accounting and trade date accounting are used.

Basic master trust services include safekeeping and custody, cash management, trade date reporting, ERISA reports, equitable share accounting, performance measurement and analysis, TUCS comparisons, on-line information systems, global custody, securities lending and participant recordkeeping.

Reports to clients are delivered three to five days after the end of the period. Next-day delivery is provided

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- PAYSOP Administration
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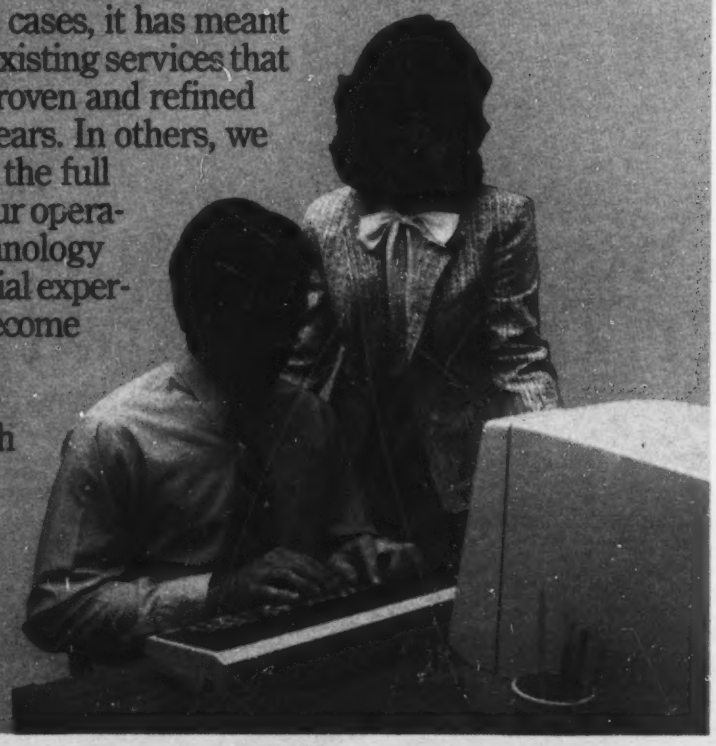

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Wachovia

for on-line reports. Fees are based on individual services. The client contact is Jeffrey L. Maier, vice president.

The Citizens and Southern National Bank

33 North Ave., N.E., 10th Floor, P.O. Box 4114, Atlanta, Ga. 30302; (404) 897-3083

Master trust assets	$450,000,000
Master custodial assets	$3,000,000,000
Other	$800,000,000

The Citizens and Southern National Bank has 15 master trust clients and 80 master custodial clients. There are six account supervisors.

The size of the smallest master trust account is $25 million; the largest is $100 million.

Trade date accounting and settlement date accounting are used.

Basic master trust services include performance measurement/risk analysis, participant recordkeeping, portfolio review, securities lending, assistance in ERISA reporting, benefit payment and five pooled investment funds.

Reports to clients are delivered five days after end of period. Fees are based on market value of assets.

The client contacts are Edgar R. Smith, (404) 897-3083, and Richard Schweitzer, (404) 897-3084.

Continental Illinois National Bank & Trust Co.

231 S. LaSalle St., Chicago, Ill. 60697; (312) 828-2345

Master trust assets	$8,400,000,000
Master custodial assets	$1,600,000,000
Other	$56,000,000,000

Continental Illinois National Bank & Trust Co. has 31 master trust clients and seven master custodial clients. There are nine account supervisors.

The size of the smallest master trust account is $5 million; the largest is $1.4 billion. Trade date and settlement date accounting are available.

Basic master trust services include consolidated accounting (plan and managers); performance measurement; dial-up access via Continental's remote information system; account relationship-manager; automated cash management; and cash projections. Officer and administrative assistants are assigned to an account on a full-time basis.

Reports to clients are delivered five to 10 days after the end of period.

Fees primarily are asset based, with transaction charges in specific instances.

The client contact is Edward J. Doyle, vice president, (312) 828-7062.

Crocker National Bank

333 S. Grand Ave., Suite 640, Los Angeles, Calif. 90071; (213) 253-3212

Master trust assets	$7,500,000,000
Master custodial assets	na*
Other	na*

*Included in master trust total

Crocker National Bank was unable to break out its master custodial and other custodial accounts from its master trust figure. It reports 162 master trust and master custodial clients. There are nine account supervisors.

The size of the smallest master trust client is $2.5 million; the largest is $1.1 billion.

Trade date and settlement date accounting are used. Cash, modified cash and full accrual also are available.

Basic master trust services include account management, security settlement, cash management, income on payable date, account reports, IRS form 550 preparation, securities lending, plan administration, asset allocation and performance measurement.

Reports to clients are delivered 10 business days after end of period. Fees are a combination of a flat fee, a percentage of the market value of asset held, individual transactions and special service charges. The client contact is Lester Wood, vice president.

A directory of cash management services will be published July 23.

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f

First Chicago

3 First National Plaza, Chicago, Ill. 60670; (312) 732-4000

Master trust assets	$7,250,000,000
Master custodial assets	$556,000,000
Other	$6,340,000,000

First Chicago has 35 master trust clients and three master custodial clients. There are 22 account supervisors.

The size of the smallest client is $4 million; the largest is $960 million.

The settlement date is used for accounting.

Basic master trust services include performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, asset allocation, universe comparison and plan accounting.

Reports to clients are delivered eight to 10 days after the end of the period. Fees are based on a combination of basic account charge, asset value and individual services.

The client contact is Thomas Gaffigan, vice president, (312) 732-3988.

First City National Bank of Houston

809 Fannin, Houston, Texas 77001; (713) 658-6705

Master trust assets	$583,000,000
Master custodial assets	$1,000,000
Other	$702,000,000

First City National Bank of Houston has five master trust clients and one master custodial client. There are nine account supervisors.

The size of the smallest master trust account is $40 million; the largest is $88 million.

Trade date accounting is employed.

Basic master trust services include cash management, assistance in government reporting, asset custody and standard reporting.

Reports to clients are delivered 10 days after the end of period. Fees are based on amount of assets.

The client contact is Terry Lambert, vice president.

First Pennsylvania Bank

15th and Chestnut Streets, Philadelphia, Pa. 19101; (215) 786-8765

Master trust assets	$1,000,000,000
Master custodial assets	$15,500,000,000
Other	$370,000,000

First Pennsylvania Bank has 14 master trust clients and eight master custodial clients. There are 11 account supervisors. The smallest master trust client is $1.5 million; the largest is $500 million.

Trade date accounting and settlement date accounting are used, but the actual settlement date will be used at the client's preference.

Basic master trust services include trusteeship/custodianship, accrual or cash accounting, portfolio analytics, performance measurement, TUCS, passive investment, securities lending, global custody, public fund accounting (NCGA rules) and client terminal with inquiry and/or input capability.

Cash statements are delivered within five to seven business days and full accountings within 15 to 17 business days after end of period.

Fees normally are calculated on the market value of assets, but can be unbundled. The client contact is James F. McHale, senior vice president, (215) 786-7946.

First Trust Co. of St. Paul

332 Minnesota St., St. Paul, Minn. 55101; (612) 291-5072

Master trust assets	$2,050,000,000
Master custodial assets	$350,000,000
Other	$4,125,000,000

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First Trust Co. of St. Paul has eight master trust clients and three master custodial clients. There are seven account supervisors.

The smallest master trust client is $12 million; the largest is $1.2 billion.

Trade date accounting is used, but settlement date accounting also is available.

Basic master trust services include securities settlement, custody and servicing, full accrual accounting, automated cash management, index fund, portfolio review, performance measurement, TUCS, customer online, securities lending, ERISA reporting, participant recordkeeping and benefit disbursing.

There is a separate asset fee and transaction fee. The client contact is Roger R. Schaeffer.

First Wisconsin Trust Co.

777 E. Wisconsin Ave., P.O. Box 2054, Milwaukee, Wis. 53201; (414) 765-5000

Master trust assets	$1,283,000,000
Master custodial assets	$819,000,000
Other	$502,000,000

First Wisconsin Trust Co. has 27 master trust clients and one master custodial client. There are seven account supervisors.

The size of the smallest master trust client is $3 million; the largest is $235 million.

Trade date accounting is employed.

Basic master trust services include, relative and comparative performance measurement, portfolio monitoring services, securities lending, bond dedication and bond immunization.

A report of financial transactions on a settlement basis and including income totals is available about the second business day of the month; a list of assets indicating both cost and market value is available on the sixth business day of the month. The complete monthly financial report for each investment manager account on a full-accrual basis, trade-date basis is available on the 12th business day of the month.

The complete annual financial report for each investment manager account is available 20 business days after the end of the fiscal year. Annual fees are based on the market value of securities plus transaction costs. The client contact is A. Paul Jones, (414) 765-4444.

g

Guaranty Trust Co. of Canada

366 Bay St., Toronto, Ontario, Canada M5H 2W5; (416) 863-5168

Master trust assets	$1,006,000,000
Master custodial assets	$55,000,000
Other	$918,500,000

Guaranty Trust has 20 master trusts clients. There are three account supervisors.

The size of the smallest master trust client is $5 million; the largest is $286 million.

Settlement date is used for accounting. There is a capability for trade date reporting.

Basic master trust services include income accruals, unitized accounting and consolidated reporting, cash management, portfolio analysis, performance measurement and report customization.

Reports are available for clients after 10 working days.

Basic fees are based on book value, plus account charges, check charges and performance measurement. Fees for managed assets are based on average market value.

The client contact is P. Diane Thomas.

h

Harris Trust and Savings Bank

111 West Monroe St., Chicago, Ill. 60603; (312) 461-2121

Master trust assets	$18,880,000,000
Other	$3,247,000,000

Harris Trust and Savings Bank has 41 master trust clients. There are six account supervisors.

The size of the smallest master trust client is $12 million; the largest is about $3.7 billion.

Trade date accounting is used.

Basic master trust services include custody, accounting, reporting, plan accounting, ERISA reporting, cash mobilization, performance measurement and securities lending.

Reports to clients are delivered 20 days after the end of the period.

Fees are calculated on a base per account plus a percentage of assets.

The client contact is Jon S. Brightman, (312) 461-7344.

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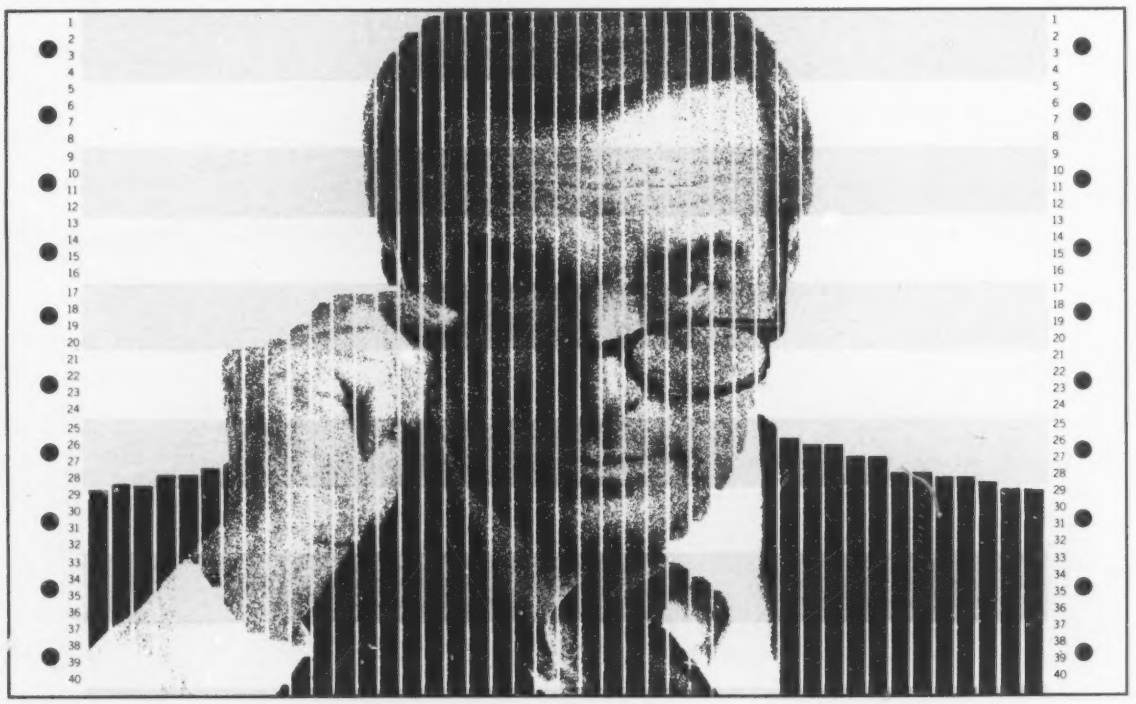

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i

International Trust Co.

Royal Bank Plaza, North Tower, 14th Floor, Box 75, Toronto, Ontario, Canada M5J 2J2; (416) 865-0515

Master trust assets	$200,000,000
Master custodial assets	$600,000,000
Other	$1,500,000,000

The International Trust Co. has 11 master trust clients and one master custodial client. There are six account supervisors.

The size of the smallest master trust account is $1.5 million; the largest is $600 million.

Settlement date is used for accounting purposes. For reporting, both trade date and settlement date are available.

Basic master trust services include client managed STIF account, global custodial services, cash management and investment control and performance measurement services.

Reports are delivered 10 days after end of the period. Fee calculation is based on asset exposure, number of accounts in structure and add-on services. Fee agreement is subject to performance standards determined with each client.

The client contact is Ed Osle[illegible]e president, business developmer[illegible]

Irving Trust Co.

1 Wall St., New York, N.Y. 10015; (212) 487-7980

Master trust assets	$8,000,000,000
Master custodial assets	$21,000,000,000
Other	$2,300,000,000

Irving Trust has 25 master trust clients and 18 master custodial clients. There are nine account supervisors.

The size of the smallest master trust client is $12 million; the largest is $4.1 billion.

Trade date accounting and settlement date accounting are used.

Basic master trust services include transaction clearance, asset custody, customized reporting, zero-balance cash management, fail-float investment credit, global custody, on-line portfolio statusing and portfolio analytics. Reports to clients are delivered five business days after the end of the period.

Fees are based on the transaction volume and the services required.

The client contact is Gary L. Davenport, vice president.

m

Manufacturers Hanover Trust

530 Fifth Ave., New York, N.Y. 10036; (212) 286-6000

Master trust assets	$16,000,000,000
Master custodial assets	$261,000,000
Other	$21,200,000,000

Manufacturers Hanover has 44 master trust clients and six master custodial clients. There are 13 account supervisors.

The size of the smallest master trust client is $10 million; the largest is $4 billion.

Trade date and settlement date are available for accounting purposes.

Basic master trust services include detailed financial investment reports, ERISA disclosure assistance, cash management, portfolio analysis and comparison, portfolio review, securities lending, on-line terminal access/reporting, international custody, benefit disbursement and multiple plan accounting.

Reports to clients are delivered within three to 10 days.

Fees primarily are based on a percentage of market values. There are special charges for additional services such as on-line terminal access, performance measurement, analytics, plan accounting and pension check payments.

The client contact is Renee San Marco, (212) 819-1580.

Manufacturers National Bank of Detroit

100 Renaissance Center, 6th Floor, Detroit, Mich. 48243; (313) 222-4470

Master trust assets	$8,300,000,000
Master custodial assets	$1,100,000,000
Other	$670,000,000

Manufacturers National Bank of Detroit has 29 master trust clients and 19 master custodial clients. There are 19 account supervisors.

The size of the smallest master trust account is $3.9 million; the largest is $8.2 billion.

Settlement date accounting is used. Trade date accrual and unitized accounting are available.

Basic master trust services include cash management, consolidated reporting, interim transaction reporting, unitized accounting custom reports, benefit payments and performance measurement.

Reports to clients are delivered five days after the end of the period.

Fees are calculated on a quarterly basis.

The client contact is Alana C. Sumpter, trust officer.

Marine Midland

280 Park Ave., New York, N.Y. 10177; (212) 949-6507

Master trust assets	$1,437,000,000
Master custodial assets	$500,000,000
Other	$900,000,000

The size of the smallest master trust client is $2.9 million; the largest is $375 million.

There are 10 account supervisors.

The settlement date is used for accounting.

Basic master trust services include custody and servicing of securities, reporting and disbursement and cash management.

Reports to clients are delivered as required by the client.

The basic fee is calculated on the basis of decremental rates applied to market value of assets. Other fees are based on transactions and services.

The client contact is William P. Gaines, administrative vice president.

Mellon Bank

Mellon Square, Pittsburgh, Pa. 15230; (412) 234-3384

Master trust assets	$29,826,000,000
Master trust custodial assets	$364,000,000
Other	$3,800,000,000

Mellon Bank has 48 master trust clients and one master custodial client. There are seven account supervisors.

The size of the smallest master trust account is $5 million; the largest is $5.1 billion.

Trade date accounting is used, but trade date fully accrued reporting is available.

Basic master trust services include security lending, benefit payment, on-line access, performance measurement, portfolio analysis and portfolio review, options accounting, index funds, international custody, ERISA disclosure assistance and participant recordkeeping.

Reports to clients are delivered within three business days for cash and within 12 business days for accrued reports.

Fees are based on a combination of asset value and individual services performed.

The client contact is Thomas H. Kalen, vice president.

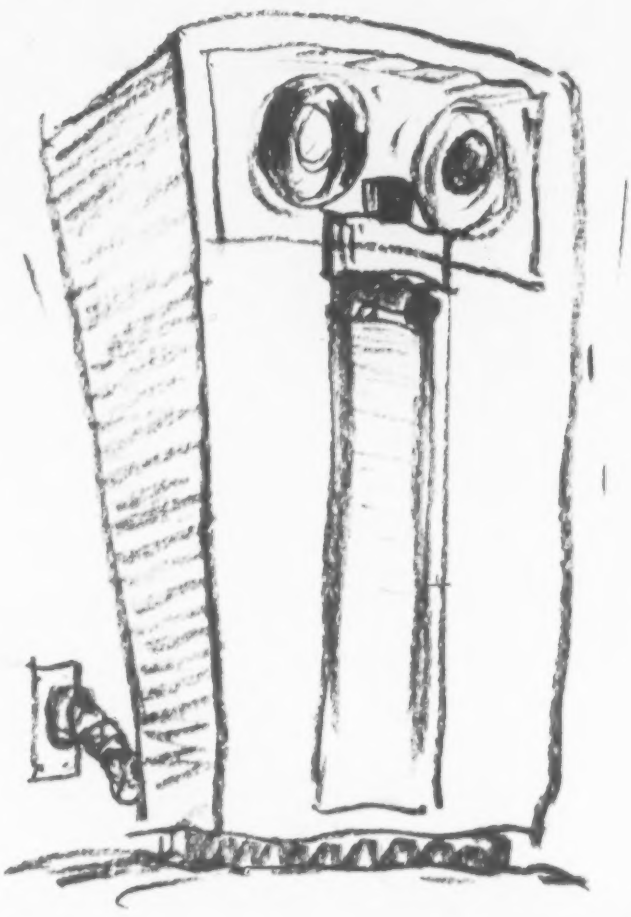
Mercantile-Safe Deposit & Trust Co.

2 Hopkins Plaza, P.O. Box 2257, Baltimore, Md. 21203; (301) 237-5551

Master trust assets	$1,694,000,000
Master custodial assets	$1,320,000,000
Other	$2,294,000,000

Mercantile-Safe Deposit & Trust Co. has 16 master trust clients and three master custodial clients. There are seven account supervisors.

The size of the smallest master trust client is $1 million; the largest is



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$400 million.

Settlement date accounting is used.

Basic master trust services include depository participation, benefit payments, option transactions, security lending, cash management services, investment analysis, investment performance measurement, ERISA reporting and brokerage reporting.

Reports to clients are delivered in five to 10 days.

Fees are based on asset value and income collected.

The client contact is H. Louis French, vice president.

M&I Marshall & Ilsley Bank

770 N. Water St., Milwaukee, Wis. 53201; (414) 765-8187

Master trust assets	$1,200,000,000
Master custodial asset	$100,000,000
Other	$700,000,000

M&I Marshall & Ilsley Bank has 25 master trust clients and two master custodial clients. There are six account supervisors.

The size of the smallest master trust client is $4 million; the largest is $250 million.

Settlement date accounting is used; pending trade schedule is optional.

Basic master trust services include automated cash money market funds and performance measurement. Reports to clients are delivered five to seven days after the end of the period. The client contact is Morry L. Birnbaum, vice president.

Montreal Trust

15 King St. W., Toronto, Ontario, Canada M5H 1B4; (416) 860-5555

Master trust assets	$2,836,000,000
Other	$6,950,000,000

Montreal Trust has 110 master trust clients holding 225 portfolios for 512 participant funds.

The size of the smallest master trust client is $2 million; the largest is $450 million. Settlement date accounting is used.

Basic master trust services include corporate trusteeship for consolidated pension fund, consolidated accounting, government reporting, automatic crediting and allocation of dividends, interest and capital gains, trust documentation, portfolio analysis and performance measurement, benefit payment services, investment management, indexed fund capability, and on-line asset reporting.

Investment management fees are based on average market value.

Safe custody fees are based on average book value.

The client contact is William Henderson, vice president, pension administration, (416) 860-5756.

n

National Bank of Detroit

611 Woodward Ave., Detroit, Mich. 48226; (313) 225-3221

Master trust assets	$5,150,000,000
Master custodial assets	$6,200,000,000
Other	$128,000,000

National Bank of Detroit has 62 master trust clients and 47 master custodial clients. There are seven account supervisors.

The size of the smallest master trust account is $5.5 million; the largest is $1.35 billion. Trade date and accrual accounting are used.

Basic master trust services include centralized custody and safekeeping of assets, consolidated reporting, ERISA disclosure assistance, fail float guarantee, STIF, benefit disbursements and participant recordkeeping.

Optional services offered by the bank include performance measurement, portfolio analysis, equity analysis, securities lending, on-line inquiry and global custodian capabilities.

Reports to clients are delivered five business days after the end of period. Fees are calculated by a combination of asset value and individual services.

The client contact is Creighton R. Meland, junior assistant trust officer.

National Trust Company Ltd.

21 King Street E., Toronto, Ontario, Canada M5C 1B3; (416) 361-3838

Master trust assets	$2,544,000,000
Other	$4,822,000,000

National Trust has 35 major clients. It employs 10 master trust supervisors. The smallest master trust client is $4.8 million; the largest master trust client is $800 million.

Basic master trust services are available in the cities of Toronto, Montreal, Vancouver, Calgary and Edmonton. The services include trusteeship for consolidated and individual trusts, consolidated and individual accounting, government reporting, and electronic and/or paper check pension payments.

Master trust system capabilities include on-line terminal installation in client and investment counselor offices, cash flow projections, performance measurement, tape transmissions, automated income posting on a receivable basis, automated master trust unit purchases and redemptions, automated income and capital gain/loss distribution, security settlement system through Manufacturers Hanover, and custodial agents in 10 European countries and three Asian countries.

Reporting features include standard and custom consolidated and individual reports, analytical reports, and statements delivered within 10 business days.

The client contact is D.D. Landreville, vice president, employee benefit services.

The Northern Trust Co.

50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-6000

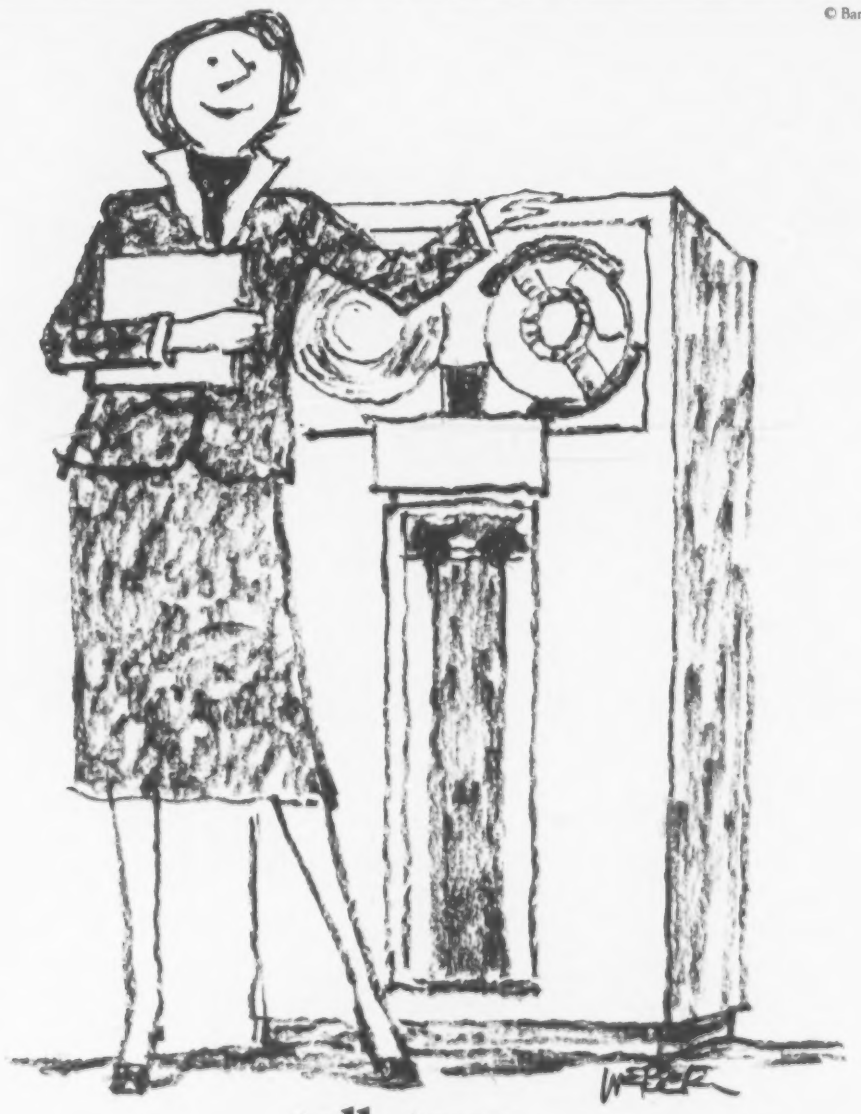
Master trust assets	$41,724,000,000
Master custodial assets	$5,893,000,000
Other	$682,000,000

The Northern Trust Co. has 122 master trust clients, 37 master custody clients and 19 account supervisors.

The size of the smallest master trust account is $8 million; the largest is $4 billion.

Settlement date accounting with trade date reporting is available.

Basic master trust services include assigned full-time account officer; comprehensive reporting including quarterly plan accounting statements with complete ERISA package; electronic delivery system providing on-



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For more information, we invite you to talk directly with Lynne Stewart Minard, Vice President, at 212-850-2082 or Frank L. Manfredi, Vice President, at 212-850-2078.

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The Board of Directors of ENSERCH Corporation on April 17, 1984, declared a regular quarterly dividend of 40 cents per share of common stock, payable June 4, 1984, to shareholders of record May 18, 1984.

For additional information, please write to Benjamin A. Brown, Vice President, Financial Relations, Dept. H, ENSERCH Center, Box 999, Dallas, Texas 75221.

ENSERCH CORPORATION

line access to accounting and performance data and enhanced reporting and analytical capabilities; full accrual accounting; options and futures accounting; fiduciary control. The bank has complete performance measurement and analytical services including equity and fixed passive fund management, long-range forecasting of pension assets and liabilities, asset allocation, and consulting; in-house benefit payments unit, securities lending programs; and global custody.

Reports to clients are delivered three to five days after the end of the period, or on-line, 22 hours per day.

Fees are based on the client's market value.

The client contact is Michael S. Terry, vice president.

Norwest Bank Minneapolis

Eighth & Marquette, Minneapolis, Minn. 55479; (612) 372-5983

Master trust assets	$1,066,000,000
Other	$3,216,000,000

Norwest Bank Minneapolis has 11 master trust clients. There are four account officers.

The size of the smallest master trust client is $5 million; the largest is $300 million.

Basic master trust services include automatic cash management, benefit disbursement, ERISA disclosure assistance, performance measurement, participant recordkeeping, securities lending, portfolio analysis and portfolio review.

Basic fees are based on asset market values plus transactions.

The client contact is John A. Maschoff, vice president.

r

Rainier National Bank

P.O. Box 3966, Seattle, Wash. 98124; (206) 621-4298

Master trust assets	$102,000,000
Master custodial assets	$874,000,000
Other	$2,796,000,000

Rainier National Bank has six master custodial clients.

The size of the smallest master custodial account is $34 million; the largest is $505 million.

The settlement date is used for accounting procedures.

Basic master custodial services include consolidated accounting, summary of accountings and cash sweep.

Reports to clients are delivered in 15 business days. Fees are calculated as a percentage of assets.

The client contact is Ken Carlson, assistant vice president and manager.

RepublicBank Dallas

P.O. Box 241, Dallas, Texas 75221; (214) 653-6506

Master trust assets	$12,100,000,000
Master custodial assets	$1,900,000,000

RepublicBank Dallas has 175 master trust clients and nine custodial clients. There are 12 account supervisors.

The size of the smallest master trust client is $3 million; the largest is $2 billion.

Trade date and settlement date accounting are used. Accounting also is provided on a cash or accrual basis.

Basic master trust services include daily cash management, cash forecasting, fail float earnings, performance measurement, portfolio diagnostics, benefit payments and withholding, on-line reporting, TUCS, securities lending, options processing plan, 150 accounting investment reports, plan accounting, international custody, government reporting, participant recordkeeping, 401(k) and PAYSOP administration.

Reports to clients are delivered five days after the end of the period.

Fees are calculated on a percentage of the market value and transaction charges.

The client contacts are David J. Pittman, senior vice president, (214) 653-6506, and Jerry L. Turner, vice president, (214) 653-6880.

Royal Trust

P.O. Box 7500, Station A, Toronto, Ontario, Canada M5W 1P9; (416) 867-2403

Master trust assets	$5,500,000,000
Other	$3,300,000,000

Royal Trust has 59 master trust clients. There are 12 account supervisors.

The size of the smallest master trust account is $4 million; the largest is $815 million.

Trade date and settlement date accounting are used.

Basic master trust services include monthly financial reports, on-line inquiry, on-line data entry for security transactions, use of CDS and DTC, deposit of income on payable date and global custody. Optional services include a portfolio management system and performance measurement.

Reports to clients are delivered 10 to 15 days after the end of the period.

Fees are based on average market value for managed clients and on average cost value for custodian clients.

James Gordon is client contact.

S

State Street Bank & Trust Co.

225 Franklin St., Boston, Mass. 02110; (617) 786-6353

Master trust assets	$30,087,000,000
Master custodial assets	$22,968,000,000
Other	$121,752,000,000

State Street Bank & Trust Co. has 72 master trust clients and 47 master custodial clients. There are 13 account officers and 30 account supervisors servicing a total of 1,037 client portfolios.

The size of the smallest master trust account is $3 million; the largest is $10.9 billion.

In addition to tax-exempt pension and endowment accounts, State Street provides custody services for $115 billion in mutual fund assets. Accounting and recordkeeping are provided on a trade date, full accrual basis.

Basic master trust services include safekeeping of assets, cash management through several short-term investment vehicles, settlement and control of all portfolio trades, corporate action monitoring, determination and collection of income, cash availability reporting, accounting for options, futures, real estate, interactive ledger accounting, DTC and FBE participation, on-line institutional delivery system, daily and weekly or monthly valuation of assets, fiduciary control, plan accounting, 401(k) capabilities, benefit payments and participant recordkeeping, securities lending, and global custody.

In addition, performance measurement and analytic services are offered.

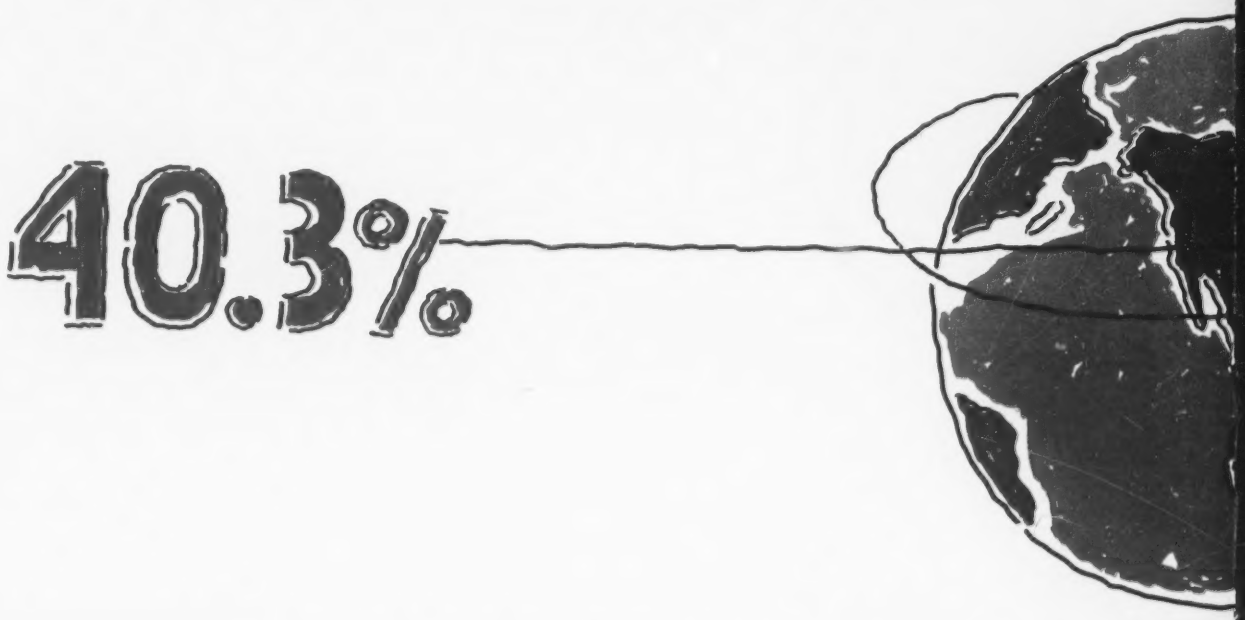
On-line access capabilities are available for portfolio accounting information and performance measurement. Clients can format and customize their own reports through on-line access services using the IBM PC. Reports are available in hard copy, microfiche and through remote printing capabilities.

Reports are delivered between five and seven business days following the end of the period.

Fees are based on asset value, portfolio structure and trading volumes. Optional services are unbundled.

The client contacts are Mike Herlihy, vice president for corporate, union, endowment and foundation plans, and J.D. Nelson, vice president for public funds.

Pensions & Investment Age's *June 25 issue will contain a ranking and directory of international money management firms.*



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t

Texas Commerce Bank
P.O. Box 2558, Houston, Texas, 77252 (713) 236-5788

Master trust assets	$1,100,000,000
Master custodial assets	$1,000,000,000
Other	$8,000,000,000

Texas Commerce Bank has 11 master trust clients and eight master custodial clients. There are 10 account supervisors.

The size of the smallest master trust client is $10 million; the largest is $558 million.

Modified trade date accounting is employed.

Basic master trust services include emphasis on client and investment manager communications, timely benefit payments, accurate participant recordkeeping for defined contribution plans, daily cash sweeps and direct participation in DTC.

Reports to clients are delivered in 10 days.

Fees are based on the volume of activity generated.

The client contact is Russell K. Schulze II.

u

United States Trust Co. of New York
45 Wall St., New York, N.Y. 10005; (212) 806-3834

Master trust assets	$9,100,000,000
Master custodial assets	$5,900,000,000
Other	$8,000,000,000

United States Trust Co. of New York has 65 master trust clients and 23 master custodial clients. There are eight account supervisors.

The smallest master trust client is less than $1 million; the largest is $1.9 billion.

The actual settlement date is used for accounting purposes.

Basic master trust services include trade processing, safekeeping, collection of interest and dividends, weekly and cumulative monthly statements, monthly valuations and quarterly allocations.

Reports to clients are delivered in two to 10 days after the end of the period.

Fees are based on the market value of the assets and number of transactions. The number of investment managers also serves as a base for fees.

The client contact is Robert Pagano.

Pensions & Investment Age will publish its annual ranking and directory of Canadian money management firms, and banks in the July 9 issue.

W

Wachovia Bank & Trust Co.
P.O. Box 3099, Winston-Salem, N.C. 27102; (919) 748-6348

Master trust assets	$12,000,000,000
Master custodial assets	$256,274,000
Other	$310,000,000

The Wachovia Bank & Trust Co. has 35 master trust clients and two master custodial clients. There are 10 account supervisors.

The size of the smallest master trust client is $20 million; the largest is $2.7 billion.

Trade date adjusted accounting is employed.

Basic master trust services include accounting, benefit disbursement, cash management, foreign custody, options and financial futures, securities lending, ERISA disclosure assistance, performance measurement, on-line access and portfolio review.

Reports to clients are delivered 10 days after the end of the period.

Fees are based on a combination of market value and specific services provided.

The client contact is Jane B. Fisher.

Wells Fargo Bank
P.O. Box 63050, San Francisco, Calif. 94163; (415) 396-5561

Master trust assets	$4,290,000,000
Master custodial assets	$3,935,000,000
Other	$13,000,000,000

Wells Fargo Bank has 22 master trust clients and 10 master custodial clients. There are four senior account supervisors.

The size of the smallest master trust client is $10 million; the largest is $950,000,000.

Trade date and settlement date are used for accounting purposes.

Basic master trust services include reporting, cash management, income control, securities settlement, custodial services, benefit payments, on-line portfolio inquiry, electronic mail and on-line analysis.

Reports to clients are delivered in 10 days.

Fees are unbundled and based on market value of assets and transaction activity. The client contact is Morgan L. Patch.

Wilmington Trust Co
Rodney Square North, Wilmington, Del. 19890; (302) 651-1000

Master trust assets	$6,501,000,000
Master custodial assets	$100,000,000
Other	$14,900,000,000

Wilmington Trust has six master trust clients and 20 master custodial clients. There are four account supervisors.

The size of the smallest master trust client is $70 million; the largest is $5.8 billion.

Trade date accounting is used.

Basic master trust services include custody, benefit disbursements, cash management, accounting performance measurement, remote terminals, executive summary, management detail, audit detail reports and participant recordkeeping.

Reports are delivered to clients 10 to 15 working days after the end of the period.

Fees for services are negotiated.

The client contact is John J. Lister, (302) 651-8365.

Satisfied . . .

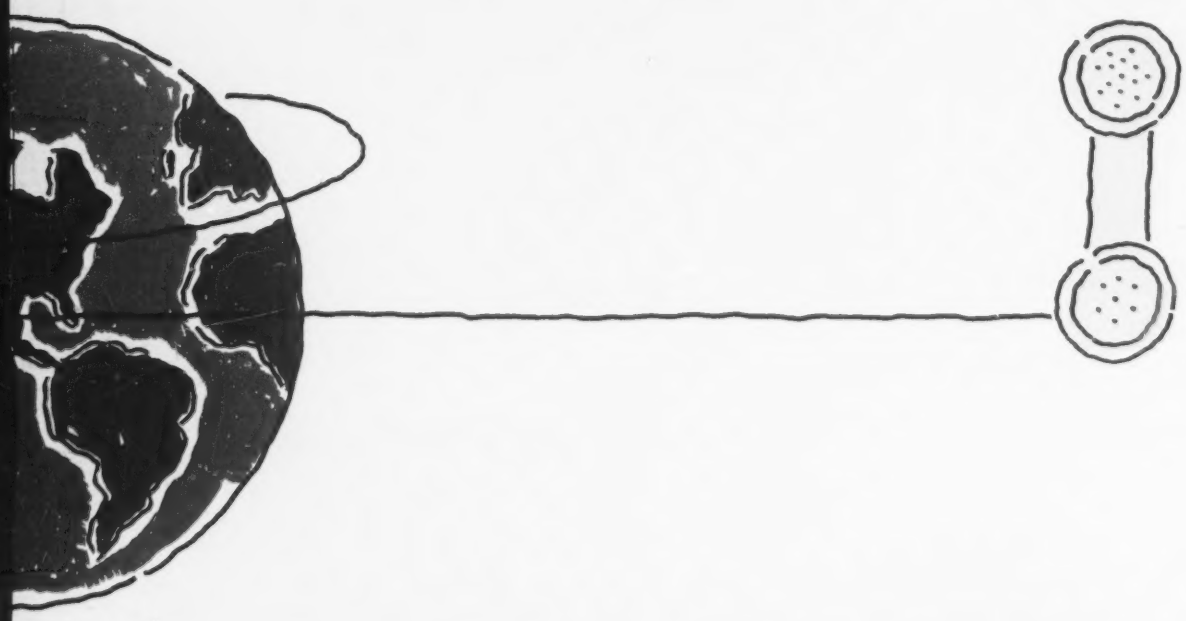
Continued from page 19

They are: Bank of America; Bank One, Dayton, Ohio; Bank of New York; Bank of Virginia, Richmond; Boatmen's National Bank of St. Louis; Commerce Bank & Trust Co., Topeka, Kan.; Continental Illinois National Bank and Trust Co. of Chicago; First Kentucky Trust Co., Louisville.

Also rated by one respondent: First Pennsylvania Bank, Philadelphia; First Trust Co. of St. Paul, Minn.; Indiana National Bank, Indianapolis; Irving Trust Co., New York; Manufacturers Hanover Trust Co., New York; Manufacturers National Bank of Detroit.

Also rated by one respondent: Mercantile Safe Deposit and Trust Co., Baltimore; Morgan Guaranty, New York; Norwest National Bank of St. Paul, Minn.; Pittsburgh National Bank; Security Pacific National Bank, Los Angeles; Sun Bank of Tampa Bay, Fla.; and United States Trust Co. of New York. ■

Pensions & Investment Age **welcomes letters to the editor. Letters should include the name and company of the writer. The editors reserve the right to condense any letter.**



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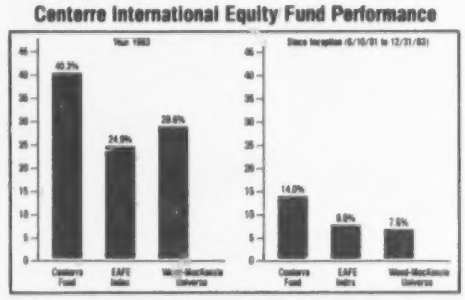

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Cash Management

Bell Atlantic forms unit from scratch

By Richard J. Gillespie

PHILADELPHIA — While Bell Atlantic Corp. officially was born Jan. 1, preparations for its birth had been taking place since last spring, even before the treasury team moved into its new building at 1600 Market St.

The treasury operations of the parent company for the $8.5 billion giant had to be built from the ground up, according to Peter Bruderley, staff manager of working capital management, who formerly was cash manager of Bell of Pennsylvania and Diamond State Telephone.

"It was a major undertaking to get things set up," said Mr. Bruderley.

"Keep in mind that we were a brand new company being formed, easily in the top Fortune 50, for sure. We are the parent company and we had to provide the cash management facilities for that company, starting from scratch. Basically, there was absolutely nothing to start with."

Bell Atlantic actually was taking shape even as the treasury team under Bill Morbraaten, vice chairman and chief financial officer, was pulling together the operational procedures. Those procedures now enable the parent company to monitor daily the billion-dollar cash flows of its seven telephone companies and nine subsidiaries.

Naturally, the first thing the cash management staff did was to initiate a search for a concentration bank to service Bell Atlantic in Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia and Washington, D.C.

Mellon Bank, Pittsburgh, was selected as the concentration bank. Provident National Bank, Philadelphia, was selected as the common stock dividend disbursement bank, an important position because Bell

Continued on page 41

Largest changes in cash holdings*

(Quarter ended 12/31/83)

Company	Cash & short-term investments —($ millions)— 1983	1982	% change '83 vs.'82
10 largest cash positions among the Fortune 100 corporations			
General Motors	$6,217	$3,126	98.88
AT&T	5,802	3,107	86.74
Int'l Business Machines	5,536	3,300	67.76
Exxon Corp.	4,096	3,449	18.76
Ford Motor	3,152	1,555	102.70
Standard Oil (Calif.)	2,547	1,873	35.99
General Electric	2,505	2,587	−3.17
Standard Oil (Ind.)	2,194	1,360	61.32
Texaco Inc.	2,100	2,304	−8.85
Gulf Oil	1,711	1,225	39.67
10 largest increases in cash and short-term investments			
Signal Cos.	$1,046	$ 98 (R)	967.35
Anheuser-Busch	218	22	890.91
Time Inc.	330	37	791.89
IC Industries	180	26 (R)	592.31
Deere & Co.*	215	52	313.46
Boeing	1,095	294	272.45
Tenneco	167	45	271.11
Aluminum Co. of America	271	80	238.75
Consolidated Foods	304	92	230.43
Continental Group	176	66	166.67
10 largest decreases in cash and short-term investments			
Philip Morris	$ 30	$ 53 (R)	−43.40
Standard Oil (Ohio)	91	163	−44.17
Gulf & Western*	201	397	−49.37
Nabisco Brands	250	495 (R)	−49.49
Allied Corp.	81	176	−53.98
North American Phillips	29	64	−54.69
Texas Instruments	185	420	−55.95
Occidental Petroleum	242	572	−57.69
International Paper	226	677	−66.62
LTV	55	312	−82.37

** Top 100 industrial companies*
** Quarter ended 10/31/83*
(R) Revised

Computed by corporate and investment data bank maintained by Wright Investors' Service, Bridgeport, Conn.

Recovery boosts '83 cash holdings

NEW YORK — The strong recovery and a cautious attitude by corporate management made 1983 the year of the corporate cash bonanza, figures compiled from end-of-year statements confirm.

"Most of the companies are loaded with cash. Cash earnings were huge last year," said Harivadan Kapadia, a vice president with Wright Investors' Service of Bridgeport, Conn., which prepared the analysis.

"Most of the companies cut down their costs in the recession such that a small increase in sales gave them a good earnings gain."

The cash and short-term portfolios of the largest 100 industrial corporations grew by $20 billion during 1983 to $74 billion at year-end, with 16 corporations increasing their cash by more than 100%.

Individual gains were impressive. General Motors Corp. reported end-of-year cash and short-term investments of $6.2 billion, a 99% improvement for the year. American Telephone & Telegraph Co., on the day before divestiture, held $5.8 billion in cash and short-term securities, an increase of more than 86% for the year. (The new AT&T Technologies, formerly Western Electric, held $60.7 million on the same day, which was not included in the $5.8 billion).

For its part, International Business Machines Corp., powered by the success of its personal computer, held cash and short-term investments of $5.5 billion, up from $3.3 billion at the end of 1982.

The biggest single increase in cash and short-term investments among the 100 largest industrial corporations was recorded by Signal Cos., whose liquid assets increased by more than 967% in 1983. Signal held more than $1 billion at the end of 1983, compared with $98 million at the end of 1982.

Anheuser-Busch Cos. Inc., Time Inc., IC Industries Inc., Deere & Co. and Boeing Co. also showed huge gains in the level of short-term instruments held, while the biggest declines were shown by The LTV Corp. (−82%), International Paper Co. (−66.6%), Occidental Petroleum Corp. (−57.7%) and Texas Instruments Inc. (−56%).

While the level of a company's cash and short-term investments taken alone reveals almost nothing about the corporation's financial strength or weakness of a corporation, the aggregated figures do document the liquidity of the largest 100 corporations.

Individually, the cash reserves might come about purely as the result of happenstance. Taken as a whole, however, the figures reflect the growing strength of the recovery and the attitude of corporate management.

As the economic expansion entered its second year, companies were enjoying substantially improved liquidity, even while management allowed inventories to run down.

The figures also show that the growth of corporate liquidity was fairly consistent throughout the universe of 100 corporations during the year.

In previous quarters, the largest 10 companies enjoyed considerable growth in liquid assets, while the smaller corporations were hauling themselves out of the recession. For 1983 as a whole, the gains were enjoyed consistently across the board.

The largest five corporations reported a 57% increase in cash, and the largest 10 corporations enjoyed a 41% improvement. The smallest 10 corporations on the list showed a 49% increase as a whole.

The companies with the least cash at year-end were Martin Marietta Corp., $25 million; North American Philips Corp., $29 million; Philip Morris Inc., $30 million; and American Brands Inc., $31 million. ■

Computer break-ins: To catch a thief

By Richard J. Gillespie

LOS ANGELES — Many treasury workstations may be more vulnerable to computer "hackers" than the Strategic Air Command computers proved to be in the movie "War Games."

Most microcomputers with two-way communication are much easier to break into than mainframe computers, experts agree. However, experts say the greater threat comes from unauthorized use of the terminals by someone from within the company.

A hacker might be able to penetrate some treasury workstations and gain access to valuable corporate information for purposes such as industrial espionage. Also, an employee might be able to make unauthorized transactions.

But most treasury management system vendors feel relatively safe from the hackers' art.

"I haven't seen a system with a lot of security," agreed Jeff Fischer, president of Byad Inc., Arlington Heights, Ill. He has earned a reputation for creating bank industry standard software for making wire transfers, and now is marketing a treasury workstation that operates in the high-level microcomputer operating language known as "C."

Actually, most of the danger is not from hackers, so much as people in the treasury who have physical access to the system, Mr. Fischer said.

"Most of the systems are in an unsophisticated state and were developed quickly, and most have opportunities for things to happen, but I think it is more likely to come from within the corporation than from without."

While treasury workstations do not keep detailed strategies of global nuclear conflict in their data files, they do keep information on corporate cash flows, bank balances, credits, debits and employee payrolls. Some even have the capability to wire transfer funds on a free-form basis.

A security analyst or competitor corporation that gains access into a rival's treasury workstation would no doubt get a useful insight into that firm's activities.

And while Mr. Fischer knows of no treasury management workstation that has been designed with security specifically in mind, microcomputer expert Thomas G. Stroyls, a Los Angeles-based management consultant, believes that the overall level of security provided by the current generation of microcomputers is inadequate.

There are four types of individuals attempting to gain access to confidential corporate information, according to Eric S. Hogg, a vice president with the Bank of Montreal and an expert on systems security, who spoke at the Los Angeles Expo conference earlier this month. Terrorists, professional criminals and dishonest members of a corporation's staff, in addition to hackers, have been known to attempt, and succeed in gaining access to confidential data files, he said.

The greatest potential risks today are found in dial-up networks, he added, acknowledging that the treasury workstation uses an automated dial-up mechanism to access corporate bank balance and other information.

Treasury workstations are safe from hackers if they are programmed to dial out only at prearranged times, as most of them are today.

But systems that have been programmed to enable them to be accessed by other computers are vulnerable indeed, say experts.

And while the first generation of treasury management workstations does not allow this to happen generally, a second generation of products will.

There is a significant threat of tinkering when a treasury workstation is used in the so-called auto-answer mode, which means it is waiting to yield access to its files to

Continued on page 42

PIPER

Presented below is statistical data extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation service provided by Pensions & Investment Age. PIPER details comparative performance data on special equity and international funds, as well as equity and fixed-income funds. The report is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.

Japanese stocks propel leading funds

By Rose Darby

NEW YORK — Bank and insurance company international commingled funds with heavy exposures to Japan and the Netherlands were among the performance leaders of the past quarter, according to Pensions & Investments' Performance Evaluation Report.

Still, the Capital International Europe, Australia and Far East Index outperformed even the top funds, with a 15.4% annualized, time-weighted return.

For the quarter ended March 31, RepublicBank Dallas' International Stock Fund was the top PIPER performer, with an annualized time-weighted return of 14%.

The $15.1 million fund was weighted almost 50% in Japanese stocks and 17.5% in U.K. issues, said Neal Howe, assistant vice president.

"The rest was broadly diversified between Hong Kong, Australia, France, Switzerland and Sweden, and about 3.5% was in cash," he added.

The Japanese holdings, which were among the top performing issues, were concentrated in retailing stocks and in domestic stocks such as machine tool and electrical issues, he said.

Following RepublicBank were Morgan Guaranty Trust Co.'s International Equity Fund, with 10.4%, and Aetna Life & Casualty Co.'s International Fund, with a 10.1% investment return.

Aetna's $90 million fund is managed out of London by Aetna-Montagu, the joint venture of Aetna and U.K. merchant banker Samuel Montagu & Co., said David Steyn, the vice president who oversees the fund.

"We had a very high allocation to three of the best performing markets," Mr. Steyn said.

There was a 55% weighting in Japan, up to 3% in Hong Kong and more than 6% in the Netherlands, compared with a Capital International World Index weighting of 2.6%, he added.

"We've also been emphasizing the hard currency markets of Europe, including Germany, Switzerland and the Netherlands because we expect these markets to show effective currency gains against the dollar," Mr. Steyn said.

In fourth place for the first quarter was Fidelity Management Trust Co. in Boston, with a 9.8% rate of return.

First Chicago Investment Advisors International Equity Fund came in fifth, with 9.7%.

Morgan's International Equity fund emerged the champion for the year ended March 31, with a 38.2% annualized time-weighted rate of return.

Morgan's international fund also occupied second place for the three- and five-year periods.

Morgan's was the only fund that outperformed the EAFE's 35.8% rate of return during the one-year period.

Fidelity took second place for the year, with 33.8%.

That $33 million equity fund was heavily weighted in Japanese growth and technology stocks, said William Fink, vice president.

Fidelity International, which manages the fund, has offices in London, Tokyo and Hong Kong, Mr. Fink said. Most of the stock picking is done by managers in each of those offices, he added.

Taking up third, fourth and fifth places, respectively, for the one-year period were Mellon-Pictet's International Investment Fund, with 32.7%; Citibank's International Equity Fund, 32.5%; and U.S. Trust Co.'s International Pooled Fund, 31.1%.

The top fund for the three years ended March 31, 1984, was First Chicago, with a 16.4% return.

Close behind with a 12.5% rate of return was Morgan Guaranty, followed by U.S. Trust Co., with 11.1%.

The EAFE logged an 11.8% rate of return for the three years.

For the five years ended March 31, 1984, U.S. Trust broke into the lead with a 20.7% return.

Morgan Guaranty was the runner-up with 15.1% and Citibank was third with 13.7% for the five-year period.

The EAFE came in at a 12.7% annualized time-weighted rate of return for the five years.

PIPER compares the results of international fixed-income and equity funds.

PIPER is compiled by Rogers, Casey & Barksdale, Stamford, Conn. ■

RepublicBank Dallas leads special equity

STAMFORD, Conn. — RepublicBank Dallas' special equity fund moved into the top spot for the three-month and one-year periods in the Pensions & Investments' Performance Evaluation Report.

Republic's fund returned 9% for the three months ended March 31, 1984, and 47.6% for the year ended March 31. Citibank, New York, was second in both periods, returning 8.7% for the quarter and 29.7% for the year. For the three-year period, Security Pacific Bank, Los Angeles, was first, with 32.9%.

California First was the top performer during the five-year period ended March 31, returning 39.6%. Mercantile Bank at Dallas was first for the 10-year period, with a 24.1% return. ■

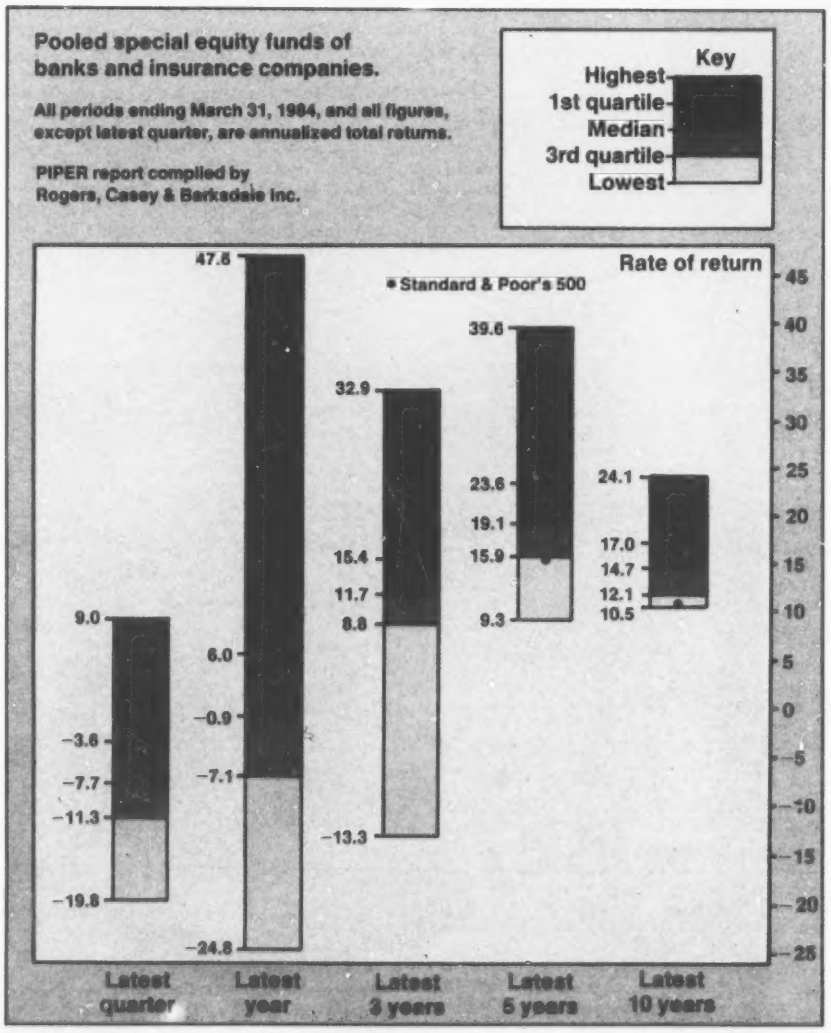
Top quartile commingled special equity funds

3-month returns

	%
RepublicBank, Dallas	9.0
Citibank, N.Y.	8.7
Continental Natl. Bank, Texas	4.5
Valencia Bank, Calif.	3.0
Natl. of Commerce, Tenn.	2.8
Texas American Bank	2.1
Mercantile Trust, Mo.	1.6
Prudential, N.J.	1.3
Provident National, Pa.	1.0
Wachovia Bank, Div. Cap., N.C.	0.3
Wachovia Bank, Spe. Val., N.C.	−0.4
First of Minneapolis	−0.7
First of Boston	−0.7
Mutual of New York	−1.0
First of Neenah, Wis.	−1.0
Metropolitan Life, N.Y.	−1.6
Oregon Bank	−2.0
Man. Hanover, Supp. Eq.	−2.2
Man. Hanover, Uncom. Eq.	−2.4
Standard & Poor's 500	**−2.4**
Pittsburgh Natl., Pa.	−2.4
Citibank, N.Y.	−2.7
Morgan Guaranty, N.Y.	−3.1
Merchants Natl., Ind.	−3.3

1-year returns

	%
RepublicBank, Dallas	47.6
Citibank, N.Y.	29.7
Wachovia Bank, N.C.	23.0
Mercantile Trust, Mo.	20.9
Manufacturers Hanover, N.Y.	19.0
Natl. of Commerce, Tenn.	19.0
Prudential, N.J.	17.1
Continental Natl., Texas	16.9
Morgan Guaranty, N.Y.	14.0
First of Boston	13.7
Provident National, Pa.	12.1
Mutual of New York	10.6
Fidelity Mgmt. Trust, Mass.	10.5
Pittsburgh National, Pa.	8.9
Metropolitan Life, N.Y.	8.8
Standard & Poor's 500	**8.7**
Oregon Bank	7.6
Trust Co. of the West	7.1
First of Maryland	6.7



Merchants Natl., Ind.	6.4
First of Minneapolis	6.2
First of Chicago	6.2
Prudential, N.J.	6.1

3-year returns

	%
Security Pacific, Calif.	32.9
Calif. First Bank	22.5
Provident National, Pa.	21.6
First of Maryland	21.4
Citibank, N.Y.	19.5
Manufacturers Hanover, N.Y.	18.1
Norwest Bank, Minn.	18.0
Mercantile at Dallas	17.5
Bank One, Ohio	17.0
First Interstate of Nevada	16.9
First of Boston	16.8
Connecticut National	16.7
Natl. City Cleveland	16.6
First Trust St. Paul	16.6
Prudential, N.J.	16.1
Merchants National, Ala.	16.0
First of Chicago	15.9
Prudential, N.J.	15.8
Morgan Guaranty, N.Y.	15.5

5-year returns

	%
California First Bank	39.6
Mercantile at Dallas	31.0
Continental Illinois	28.8
Prudential, N.J.	28.1
Connecticut Bank & Trust	26.8
Norwest Bank, Minn.	26.4
Bankers Trust, N.Y.	26.2
Equitable Life, N.Y.	25.4
Bank of Southwest, Texas	24.7
Chemical Bank, N.Y.	24.5
Merchants National, Ala.	24.2
Interfirst Invt. Mgmt., Texas	23.8
First of Maryland	23.7

10-year returns

	%
Mercantile at Dallas	24.1
Equitable Bank, Md.	22.6
California First Bank	21.1
Bankers Trust, N.Y.	17.7
Connecticut Bank & Trust	17.7
Provident National, Pa.	17.6
Bank of America, Calif.	17.5
AmeriTrust, Ohio	17.1

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'Informal' foreign investment pervasive

By Rose Darby

NEW YORK — Many U.S. pension funds have significant portions of their equity portfolios invested internationally, but don't know it.

According to one study by a consulting firm, this "informal" international investment amounts to about 2% of domestic equity portfolios and is growing.

This is because money managers increasingly are using international securities in domestic pension fund portfolios.

The practice has been helped along by the flagging U.S. equity and bond markets during the past year.

Indeed, U.S. net purchases of foreign stocks are taking on immense proportions, having topped $3.8 billion for the past year, up almost 79% from the 1980 level of $2.1 billion. Gross purchases in 1983 catapulted to $30.1 billion, twice the level of the year earlier.

Pension funds that have no separate international portfolios often hold a number of foreign stocks, American depository receipts and foreign bonds in their domestic portfolios, according to both domestic and international money managers.

Alliance Capital Management Corp.; Capital Guardian Trust Co.; Morgan Guaranty Trust Co.; Scudder, Stevens & Clark; and Bessemer Trust Co. are among investment advisers who said they often purchase international equities and fixed-income securities for the domestic portfolios of clients.

This comes as no surprise in light of the fact that, in dollar terms, the stock exchanges of 12 countries left the U.S. equity market in the dust last year.

For the year ended March 31, the Europe, Australia, Far East Capital International Index appreciated 32% vs. an increase of 8.7% in the Standard & Poor's 500 stock index.

Overall, the amount of European stocks purchased by U.S. investors advanced to $2.2 billion last year from the $797 million for 1982, according to the Securities Industry

Continued on page 49

Late news

Changes at United

CHICAGO — Robert Gillette, director of pension fund management for Emerson Electric Co.'s more than $350 million master trust, is leaving to join United Air Lines.

He will replace Nancy Covington, pension assets administrator in charge of United's roughly $3.1 billion in employee benefit assets.

Sources said Ms. Covington will be transferred to an undetermined spot within United.

Pensions & Investment Age

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Diamond Shamrock granted exemption

By Kimberly Blanton

WASHINGTON — The Department of Labor has granted approval for Diamond Shamrock Corp.'s contribution of an oil and gas royalty to its pension fund.

In January 1982, Diamond Shamrock placed an interest in an oil and gas royalty valued at $18 million in its pension fund to meet part of its 1981 and 1982 contributions.

More than two years after the oil company applied to the Labor Department, the agency has granted a special exemption that effectively gives its approval to the transaction. Dealings between a company and its pension fund are prohibited under the Employee Retirement Income Security Act of 1974, unless a special exemption is granted.

"We're pleased it's finally been approved. We didn't feel from an investment standpoint there was any problem" with the oil interest, said John Ring, Diamond Shamrock vice president.

During the two full years (1982 and 1983) the royalty interest has been in the fund, its return "very nicely exceeded" the estimated 20% annual return to the royalty, Mr. Ring said. This estimate was used to determine the $18 million value of the royalty upon contribution.

"It just worked out very nicely the corporation could make the contribution for the year in kind," he added.

Because there is such a laborious process for special exemptions, "by

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Mercer-Meidinger loses staff

3 resign merged firm

By Marci Baker

LOUISVILLE, Ky. — Three key investment management consultants resigned from the recently merged William M. Mercer-Meidinger consulting organization.

Dave Eager, managing director in charge of the firm's investment consulting subsidiary, Meidinger Asset Planning Services, and Caroline Cummings, director of that group's investment manager research function, are leaving to start their own money manager consulting firm.

Their resignations follow on the heels of Roger Bransford's departure. Mr. Bransford, who had been a managing director for Mercer-Meidinger in Atlanta, has joined Meridian Management Co. in Little Rock, Ark., as president.

Messrs. Eager and Bransford had been among 10 senior Meidinger executives to receive long-term employment contracts at the time of the merger. Both had joined Meidinger six years ago from A.G. Becker. Ms. Cummings came on board in 1979.

Sources termed the departures significant losses for the firm. One of Mercer's prime reasons for acquiring Meidinger was its investment consulting practice.

Frank Peabody is the managing director who will fill Mr. Eager's shoes until a formal successor is named. He credited Messrs. Eager and Bransford, in particular, for "building a lot of strength and depth in the investment consulting group."

However, he added that while the firm regrets losing them, "the practice doesn't hinge on one or two professionals."

In addition, Mr. Peabody said, departures are to be expected in almost any merger situation.

"It's a time when people re-evaluate their careers," he said.

Indeed, none of the three cited the merger as the direct motivation for leaving.

"My decision was spawned by a desire to get someplace rather than leave here," Mr. Eager said, adding he and Ms. Cummings had talked about the idea of a consulting firm for managers for some time.

Mr. Bransford noted his decision to leave grew from a desire to return to the investment business, which he had grown a[way] because of his ma[na]sibilities at Mercer-Meidin[ger].

He admitted, however, t[hat] the merger provided "good timi[ng]" for a move. "It made things easy for me," he said. "I was paid well and treated well, but it's just a different type of operation now."

Sources noted Meidinger has held to a centralized operating approach within its asset planning division, with full authority for investment consulting remaining in the hands of relatively few individuals.

Mercer, on the other hand, operates under a much more decentralized approach, where staff members outside the consulting area could provide these services to clients.

A number of sources have said these different operating philosophies have created concern on the part of Meidinger employees over the potential loss of quality control within the asset planning group.

Both Messrs. Peabody and Eager conceded this has been a legitimate concern within the newly merged firm. However, Mr. Peabody said Mercer-Meidinger believes it's in the company's interests to move Mercer's philosophy more toward that of Meidinger's.

Mr. Eager added he sees the firm "moving toward much more control over the consulting operation and just who can provide the service."

Mr. Eager and Ms. Cummings

Continued on page 52

Business-labor effort on rules strikes out

By Joel Chernoff

WASHINGTON — The fragile business-labor coalition to amend single-employer plan termination insurance rules has broken up, seriously impairing the Reagan administration's ability to pass reform legislation this year.

However, some experts believe the Pension Benefit Guaranty Corp. still might try to push the legislation, or at least attempt to get an increase in the annual premium for single-employer plans to $7 per participant.

The premium is now $2.60, and the PBGC's deficit has soared to $520 million.

After leading business' fight for four years to pass the single-employer bill, the ERISA Industry Committee decided to oppose it.

The committee, a lobbying group of about 100 major employers, reversed its position at a June 1 meeting. It referred to amendments by Sens. Edward Kennedy, D-Mass., and Howard Metzenbaum, D-Ohio, that would expand liability for employers in plan terminations.

The committee took no position on the premium increase. The Sen-

Continued on page 50

President Reagan

The Chicago Transit Authority's pension plan has replaced Continental with Harris Trust & Savings Bank

Chicago plan hires Harris

Transit fund cuts Continental

By Barry B. Burr

CHICAGO — The $550 million Chicago Transit Authority Employees' Retirement System is ending its pension relationship with troubled Continental Illinois National Bank & Trust Co. of Chicago.

CTA officials said it was not a precipitous or political move.

Continental served as trustee-custodian for the pension assets. Also, it managed $124 million in short-term securities.

Before the recent developments, Continental had been selling off $50 million in bonds at the direction of the fund, said James M. Mullen, CTA supervisor of investments.

The CTA is replacing Continental with Harris Trust & Savings Bank, Chicago, which will serve as trustee-custodian. Fees have not been negotiated yet.

John Weatherspoon, trustee, said the fund hasn't decided where to place the short-term investments or the liquidating bond portfolio.

Mr. Weatherspoon said the fund considered The Northern Trust Co. and First National Bank of Chicago before selecting Harris.

The fund paid Continental $393,000 in management fees in 1983 and $422,000 in 1982, according to Paul Kole, who is the CTA chief financial officer and a management-appointed trustee. Neither Mr. Kole nor Mr. Weatherspoon could account for the decline in fees last year.

In an unrelated development, the CTA plans to make 5% of the fund, or about $27 million, available for mortgages at below-market interest rates to plan participants for single-family housing.

Mr. Weatherspoon said details of the mortgage program should be completed by fall.

Since the bank's publicized financial problems, three pension funds, including the CTA, have withdrawn their custodial accounts, while one hired Continental, a bank spokesman said.

The decision to drop Continental and the mortgage-loan proposal, both announced around the Memorial Day weekend, have raised charges of politics.

Continued on page 51

N.Y. teachers' system hires 2

ALBANY — The $12 billion New York State Teachers' Retirement System, hired BEA Associates Inc. and Oppenheimer Capital Corp. as equity managers in a continuing effort to diversify management.

Each new manager will be given $200 million. The money earmarked for the managers is coming from Manufacturers Hanover Investment Corp., which had acted as adviser to more than $4 billion in equities as of March 31.

Moreover, a spokesman said, it is possible at least one more manager will be picked in December. That, however, hasn't been decided yet. Nor has it been determined how much money the manager would get.

The funding has to be done through existing assets rather than new cash flow, said the spokesman, because the teachers' $4.7 billion equity commitment matches the 40% ceiling allowed under state law.

Manufacturers' account, which represents the bulk of that commitment, was the logical one to draw from, he explained.

"Both BEA and Oppenheimer have had good records," said the spokesman, explaining their selection. He added their styles will complement those of the fund's existing equity managers.

BEA and Oppenheimer are being brought in to fill out a block of value managers that will provide protection on the downside. The selection last year of Sanford C. Bernstein & Co. and Lehman Management Co. to run $150 million and $250 million, respectively, was the first move toward this goal.

The equity managers are expected to produce returns that will augment those of the teachers' $700 million internally run index portfolio.

Oppenheimer's account became effective June 1. BEA should be funded by the end of the summer. ■

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Carvel flavors fund with dealer notes

By Marci Baker

WASHINGTON — Carvel Corp. plans to place $1.25 million in Carvel dealer notes in its roughly $7 million retirement fund.

The Yonkers, N.Y.-based franchiser of retail ice cream stores still needs final approval from the Department of Labor, expected later this month.

Carvel has found the seven-year notes of its dealers are providing sweeter returns than the fund's vanilla-flavored stock and bond investments.

However, the fund needs a special exemption from the Labor Department to purchase notes with longer remaining terms before it can scoop up any more of the instruments.

The major pension fund buyers of dealer notes are those sponsored by automobile and heavy equipment dealers.

Under a current five-year class exemption, funds can invest up to 50% of their assets in dealer notes. If secured by heavy equipment or motor vehicles, notes with remaining terms of 48 and 60 months, respectively, can be purchased by pension funds. However, if notes are backed with personal property, pension funds can only buy those instruments with 36 months or less remaining.

Carvel's notes fall into the latter category, said Ronald Willett, a Labor Department employee benefits plan specialist. The notes, which are issued to the company by Carvel dealers, represent about two-thirds of a dealer's cost of equipment and opening a new ice cream outlet.

Since the class exemption was approved in 1979, the Carvel retirement fund has put almost 30% of its assets in these notes. The fund's trustees planned to increase that commitment to the maximum 50% allowed under the class exemption.

However, Mr. Willett said those efforts were put on ice by the lack of additional notes with 36-month remaining terms.

In its July 1983, request to the department, the Carvel plan is seeking permission to buy additional notes with remaining terms of 36 to 48 months. If approved, the plan's investments in Carvel dealer notes would reach about $3.2 million, or about 45% of its total assets.

Continued on page 52

Late news

Freeze extension

WASHINGTON — House and Senate conferees on the deficit reduction bill voted to extend the freeze on maximum contributions to, and benefits from qualified retirement plans until 1988.

The 1982 tax bill had scaled back the maximum annual benefit payable under a defined benefit plan to $90,000, and the top yearly contribution to a defined contribution plan to $30,000, and froze any cost-of-living adjustments until 1986.

Koch issues proposal

NEW YORK — Mayor Edward Koch has issued a proposal for restricting investments in South Africa by the New York City public pension funds. With this action, he joins other New York City trustees advocating such a policy.

The mayor's proposal prohibits investments in companies that do not adhere to the Sullivan Principles and puts a freeze on all future city investments in corporations doing business in South Africa.

The $20 billion New York City Public Employees' Retirement System reportedly has holdings of close to $2 billion in companies doing business in South Africa.

2 file for terminations

PHOENIX, Ariz. — Valley National Bank of Arizona and Armour Foods, both of Phoenix, have filed for spinoff/terminations of their pension plans. The bank would recapture $51 million from its $102 million pension plan, according to the Pension Benefit Guaranty Corp. It requested a termination date of March 15, 1984.

Armour, a unit of Greyhound Corp., hopes to recapture $91 million from three plans with total assets of $107 million, with an effective date of Dec. 21, 1983.

Anglo-Asian venture

LONDON — Nikko Securities Co. Ltd. and Charterhouse J. Rothschild PLC will form a joint venture in global money management for U.S. pension funds, said Richard Thornton, director of Charterhouse J. Rothschild and executive chairman of J. Rothschild Charterhouse Pacific Management Ltd. The jointly owned entity, the first Anglo-Japanese venture of its kind, will be named Nikko Charterhouse J. Rothschild Inc.

Bankers Trust named

NEW YORK — RCA Corp. has named Bankers Trust as the first master trustee of its roughly $2 billion retirement plan.

Personnel moves

• NEW YORK — Gary Helms, former vice president-investment management for Hughes Aircraft Co.'s $2.7 billion pension fund, will be joining Eberstadt Asset Management. He likely will open a Southern California office for Eberstadt. In an unrelated move, Larry Lynch, vice president-sales and marketing for Eberstadt Fund Management is joining Eberstadt Asset Management in the same capacity. He replaces Valerie Merrin, who moved to Citibank.

• CHARLOTTE, N.C. — James T. Moorhead has left as head of NCNB National Bank's fixed-income department to join Reimer & Koger Associates Inc., Shawnee Mission, Kan. Replacing Mr. Moorhead at NCNB is Steven Duff, who has worked in the bank's fixed-income area.

• NEW YORK — Timothy J. Heise will become vice president and head of real estate investment at Morgan Guaranty Trust June 18, taking over the real estate responsibilities held by Rohit Desai, who resigned. Mr. Heise spent more than six years at Citibank.

• LOS ANGELES — Tom Steffanci has resigned, effective June 18, as managing director of the fixed-income area for Trust Co. of the West, Los Angeles.

He is joining CMB Investment Counselors, Century City, Calif., as an executive director.

Replacing Mr. Steffanci will be James M. Goldberg, who resigned as executive vice president, manager of fixed-income activities, with Crocker Investment Management Corp., San Francisco.

Addendum to directory of managers

The following is an addendum to *Pensions & Investment Age's* April 30 directory of investment managers. Those listed turned in their questionnaires after the deadline or did not receive questionnaires. Excluded from this addendum and the April 30 directory are those investment managers with no tax-exempt assets under management.

Bessemer Trust Co.

630 Fifth Ave., New York, N.Y. 10111; (212) 708-9141

Total assets managed	$3,295,000,000
Tax exempt assets managed:	
Total	$374,000,000
Fully discretionary	$374,000,000
International assets managed	$84,000,000
Real estate assets managed	$11,600,000
Minimum separate account	$5,000,000
Tax-exempt clients	53
Types of accounts managed	CEFGJ
No. of portfolio managers	10
Size of research staff	7

Bessemer Trust incorporates a strategy group in its equity approach that combines a top-down and bottom-up approach with a computer-assisted technique that screens a universe of 1,500 common stocks. Its research staff analyzes and confirms these findings and makes recommendations for stock purchases and target ranges for sales.

Its fixed-income strategy focuses on bonds that are purchased on the firm's interest rate forecasts and desired level of risk. Bessemer traditionally has concentrated on high-quality issues such as intermediate-term government securities.

As of Jan. 1, the asset mix was 65% stocks, 23% bonds, 9% cash and 3% equity real estate.

Clients include Metal Box PLC, New York State Bankers, W.R. Grace and the U.S. Naval Academy.

Charles W. Hastings, executive vice president, is the chief investment officer; Robert C. Elliott, vice president, is the client contact.

William Blair & Co.

135 S. LaSalle St., Chicago, Ill. 60603; (312) 236-1600

Total assets managed	$749,000,000
Tax-exempt assets managed:	
Total	$362,000,000
Fully discretionary	$362,000,000
Minimum separate account	$500,000
Tax-exempt clients	144
Types of accounts managed	CEFJ
No. of portfolio managers	10
Size of research staff	15

William Blair & Co. is known in the financial community for its expertise in researching and successfully investing in small- to medium-sized, high-quality emerging growth companies.

The firm makes limited use of options.

Conrad Fischer, partner, is chief investment officer; John K. Greene, partner, is client contact.

Daniel Breen & Co.

P.O. Box 61529, Houston, Texas 77208; (713) 223-2110

Total assets managed	$85,000,000
Tax-exempt assets managed:	
Total	$70,000,000
Fully discretionary	$70,000,000
Tax-exempt clients	8
Types of accounts managed	CEFGJ
No. of portfolio managers	5

Daniel Breen & Co. combines fundamental and relative valuation analysis with a rotational equity portfolio structure that blends themes and stock characteristics rather than industries. Specific ROR objectives are coupled with strong sell disciplines.

In fixed income, it determines the likely direction of interest rates by closely monitoring the Fed's reported figures. The firm exclusively invests in U.S. Treasuries; average maturity is fewer than five years except in periods of significant potential capital gains.

The money manager writes covered options.

As of Jan. 1, the asset mix was 42% stocks, 20% bonds and 38% cash.

Clients include the city of Austin, Texas; Coca-Cola Bottling Co. of New York; Crane Cos.; and The Reader's Digest Association.

Daniel A. Breen is the chief investment officer and the client contact.

Cowen Asset Management

1 Battery Park Plaza, New York, N.Y. 10004; (212) 483-0700

Total assets managed	$109,000,000
Tax-exempt assets managed	
Total	$32,000,000
Fully discretionary	$32,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	82
Types of accounts managed	CFG
No. of portfolio managers	3
Size of research staff	18

Cowen Asset Management, a subsidiary of the brokerage firm Cowen & Co., is mainly an equity manager.

Its equity philosophy is dedicated to active management. Equity investments are balanced between companies where perceived fundamental changes are taking place and those where corporate events appear likely. Perceived risk level in the market dictates relative emphasis on those two catagories and cash.

As of Jan. 1, the asset mix was 74% equities and 26% cash.

Howard Shawn, special limited partner, is the chief investment officer; Creighton H. Peet, partner, is the client contact.

Haven Capital Management

605 Third Ave., 27th Floor, New York, N.Y. 10158; (212) 986-4086

Total assets managed	$402,000,000
Tax-exempt assets managed:	
Total	$234,000,000
Fully discretionary	$214,000,000
Tax-exempt clients	20
Types of accounts managed	CEF
No. of portfolio managers	5

Haven's common stock orientation is based on individual issue selection. The valuation process focuses on large and small businesses with above-average characteristics that are considered to be undervalued and attractively priced.

The firm's fixed-income strategy is to produce a consistently competitive return with low volatility. This approach, based on interest-rate anticipation derived from economic cycle analysis, determines maturity selection, which is followed by sector and quality judgments.

As of Jan. 1, the asset mix was 61% stocks, 28% bonds and 11% cash.

Clients include Pennsylvania Power & Light, Cox Enterprises and Diebold Inc.

Haven's five managing directors determine investment policy.

Denis M. Turko is the client contact.

Investment Management Group

P.O. Box 18238, Wichita, Kan. 67218; (316) 687-2143

Total assets managed	$500,000,000
Tax-exempt assets managed:	
Total	$259,000,000
Fully discretionary	$259,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	3
Types of accounts managed	CGJ
No. of portfolio managers	4

Investment Management Group's primary emphasis is on active fixed-income management, based on an assessment and projection of macroeconomic conditions and their effect on the financial markets. The firm identifies secular changes in interest rates and positions its funds through the maturity structure decision to take advantage of the expected environment.

Its asset mix as of Jan. 1 was 90% bonds and 10% cash.

Clients include the Kansas Public Employees' Retirement System.

Don S. Peters, general partner, is the chief investment officer; Marc A. Vincent, senior portfolio manager, is client contact.

Morguard Realty Advisors

910 Fifth Ave., Seattle, Wash. 98104; (206) 623-1650

Building a successful 401(k) plan is as easy as ABC.

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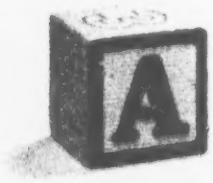

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- hardship withdrawals
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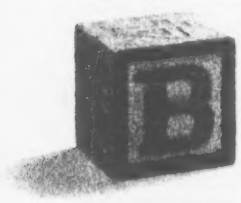

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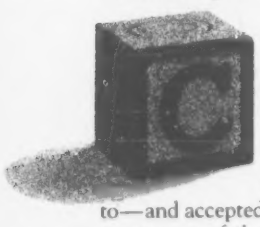
The critical difference.

Because no two employees have the same investment needs, IDS Trust offers 11 investment funds—each exclusively designed for tax-qualified plans. The broad spectrum of these funds—from the secure, steady growth to the more aggressive, high growth—will satisfy the investment objectives of your employees. And will encourage employee participation.



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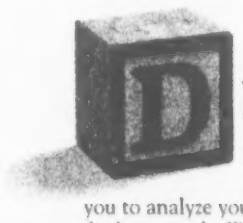
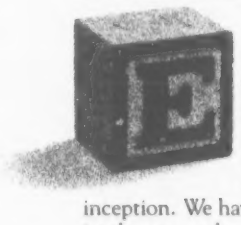
The major employee motivator. How a 401(k) plan is presented to—and accepted by—employees can mean its success...or failure. IDS Trust knows that employee participation requires complete understanding of the plan and its benefits. Employees need information stated clearly in order to make the right decisions. An effectively communicated 401(k) sparks employee interest and increases participation.

IDS Trust will work with you to develop a comprehensive, multimedia communications program specially tailored to your unique needs. A program created to inform, to answer questions, to generate enthusiasm. *And* to increase enrollment.



Design.

The cornerstone of a successful plan. IDS Trust works with you to analyze your 401(k) needs and to design a plan to fit those needs. We help you build in flexibility to allow for expansion and growth. So that your plan will be able to grow and change with your company.



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IDS Trust has designed and administered 401(k) plans since their inception. We have the experience and expertise to implement and manage 401(k) plans from A to Z, no matter how complex, how sophisticated. And we provide *quality* service for those plans—just ask our clients.

IDS Trust will work with you to build a 401(k) plan—designed to your specific needs *and* structured for success. When IDS Trust builds a 401(k), we make it easy. As easy as ABC.

To start building your successful 401(k) plan, contact Peter Miller, Assistant Vice President, IDS Trust Company, IDS Tower, Minneapolis, MN 55402. 612/372-2700.

IDS Trust Company 401(k) Builder

IDS AMERICAN EXPRESS

Total assets managed	$56,000,000
Tax-exempt assets managed:	
Total	$56,000,000
Real estate assets managed	$56,000,000
Minimum separate account	$10,000,000
Tax-exempt clients	7
Types of accounts managed	CEFG

Morguard Realty Advisors is exclusively a real estate manager. The assets listed above are managed by the company's parent, Morguard Investments Inc. Morguard specializes in certain regional areas and provides expertise in both completed and developmental properties.

As of Jan. 1, the asset mix was 100% real estate.

Patrick F. Crooks is the company's president; Chandler H. Everett, vice president, is the client contact.

Nationwide Life Insurance

P.O. Box 16738, Columbus, Ohio 43216; (614) 227-7111

Total assets managed	$3,900,000,000
Tax-exempt assets managed:	
Total	$1,600,000,000
Fully discretionary	$1,600,000,000
Tax-exempt clients	867
No. of portfolio managers	3
Size of research staff	3

Nationwide, in addition to GICs and annuities, offers tax-exempt clients separate accounts for common stock and money market investments.

The firm's equity assets are invested primarily in a diversified portfolio with selection based on the long-term view of a prudent investor concerned primarily with preservation and growth of capital.

The asset mix as of Jan. 1 was 1.8% equity; 5.5% money market deposit accounts; 58.6% GICs; 8.4% annuities; and 25.7% other.

Peter F. Frenzer, executive vice president-finance, is the chief investment officer. John H. Williams, director-pension underwriting, is the client contact.

The Ohio Co.

155 E. Broad St., Columbus, Ohio 43215; (614) 464-5545

Total assets managed	$222,000,000
Tax-exempt assets managed:	
Total	$177,000,000
Fully discretionary	$177,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	70
Types of accounts managed	CEF
No. of portfolio managers	3

The Ohio Co. considers itself a fundamentalist, seeking out underowned companies and concentrating on stocks with lower-than-market-average P/E ratios and above-average dividend yields.

For fixed income, the company uses active or immunized management, stressing preservation of capital and a high level of stable income.

As of Jan. 1, the asset mix was 63% stocks, 28% bonds and 9% cash.

Clients include Dinner Bell Foods, Landmark Inc. and Worthington Industries.

Clarence A. Peterson, executive vice president, is the chief investment officer; William D. Lange, assistant vice president and business development officer, is the client contact.

A.R. Schmeidler & Co. Inc.

555 Fifth Ave., New York, N.Y. 10017; (212) 687-9800

Total assets managed	$205,000,000
Tax-exempt assets managed:	
Total	$82,000,000
Fully discretionary	$74,000,000
Minimum separate account	$300,000
Tax-exempt clients	109
Types of accounts managed	CEFJ
No. of portfolio managers	6
Size of research staff	3

A.R. Schmeidler's investment approach is to seek companies with the most cash flow and assets for the fewest investment dollars. The firm particularly is drawn to entrepreneurially managed companies where managements have significant equity interest.

Schmeidler invests in companies that have asset values in excess of their market values and where there is the prospect of realizing these values for the shareholders.

As of Jan. 1, the asset mix was 73% equities and 27% cash, Treasuries and municipals.

Clients include Sheet Metal Workers Local Union 55, Roofers Local Union 154 and Exhibition Employees Local Union 829.

Arnold R. Schmeidler, president, is the chief investment officer; James K. Ryan Jr., senior vice president, is the client contact.

Stock Yards Bank & Trust

1040 E. Main St., Louisville, Ky. 40206; (502) 582-2571

Total assets managed	$300,000,000
Tax-exempt assets managed:	
Total	$200,000,000
Fully discretionary	$200,000,000
Real estate assets managed	$10,000,000
Minimum separate account	$100,000
Tax-exempt clients	300
Types of accounts managed	CEFGJ
No. of portfolio managers	5

Stock Yards Bank & Trust Co. specializes in option strategies with major emphasis on covered calls. It also writes options on futures and government bonds.

Stock Yards uses option strategies as a means to produce superior yield as well as to provide a market hedge.

Neil B. Jones is vice president and senior investment officer.

Hospital plans awarded clean bill of health

NEW YORK -- Hospital pension funds are among the healthiest plans, both on a termination and a continuation basis, according to a recent William M. Mercer-Meidinger survey.

The average hospital defined benefit plan had a 52% advance funding ratio, according to the survey of 287 salary-related pension plans in hospitals in 38 states. That means those plans have sufficient assets to cover more than half of the projected liabilities for participants. On a termination basis, the average hospital plan's current assets would cover 174% of vested benefits, and 90% of the plans would have more assets than vested liabilities, said the study.

There were 218 cases in which surpluses existed, where the value of assets exceeded what would be needed to pay all accrued benefits if the plans were terminated. The largest was a surplus of about $31 million, and the average was about $1.6 million, according to the survey. While these surpluses seem to indicate the plans are overfunded, the survey emphasized this is an incorrect assumption. It is the advance funding ratio of a plan that gauges its long-term financial strength.

The advance funding ratios revealed in the survey indicate that while the plans might be robust, they are not funded excessively.

Conservative actuarial assumptions are used by all of the hospital plans surveyed. Two such key assumptions are the interest rate to be earned on plan assets and the rate at which salaries will increase.

The average interest rate assumption used by the plans was 6.9%. The lowest was 4%, and the highest was 9.5%.

Plans in the survey, on the average, assumed salaries would maintain a 1.3% spread under interest rates. Thus, the average plan assumed interest of 6.9% on investment and a 5.6% salary increase, according to the study.

Plans with a spread of more than 2 percentage points between the two assumptions totaled 12% of those surveyed.

The frozen entry-age cost method, which spreads the cost more heavily toward the early years of the plan's existence, is used by 222, or 83%, of the plans surveyed. The use of other funding methods could defer a significant portion of the cost to the plan's later years. The mean plan surveyed is more than 14 years old and the overwhelming majority, 98%, are non-contributory. ■

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